

Prime Brokerage Survey



Pruning to grow

The climate for prime brokerage clients is challenging. Those PBs wishing to stay in the business are taking note in planning their route ahead.

Soon after the Brexit referendum, the *Financial Times* ran a story on a number of bearish hedge funds that had received bumper pay-outs as a result of the vote to leave the EU. The paper quoted one US prime broker as saying, “Everyone got it so wrong, “No one was positioned for it.” Most funds that he had encountered the day after the vote were between down 2% and up 2%.

The article quoted one advisor as predicting future misery for a lot of hedge funds. “My gut is that today is not the worst day for hedge fund performance – it’s probably at some point in the coming weeks,” he said. “Long-short portfolios are going to experience a fair bit of pain over the next few days.”

Nevertheless, the announcement of the result did release a certain pent up energy. “The referendum has acted as a brake on business for sure,” observed one prime broker contacted by Global Custodian the day before the referendum. “A lot of decisions have been put on hold.”

In fact, the Brexit vote was just one in a long series of challenges to hedge funds over past year or so. “Everybody is under a lot of pressure,” noted one interviewee for this overview. “Returns are simply not that great, emerging markets have also been poor performers this year and new money raised has not been that exciting. Service providers are struggling to make money out of their hedge fund clients; the cost of capital has gone up and balance sheet is not as readily available as it might have been in the really good years. That manifests itself in people saying, ‘I want to focus on the basics.’ For hedge funds that means focusing on how to achieve better returns and moving more administrative functions out of house. For prime brokers, it means revisiting how to offer customers an appealing service without necessarily using their balance sheet.

Selective growth

For some prime brokers looking to grow their business, this has involved revisiting their business models and being more selective in who they are willing to support with a full array of services. “We continue to expand our 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,” says one veteran PB. “On the subject of balance sheet use specifically, 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 assessing the future of individual client relationships, broader involvement with the service provider beyond prime brokerage itself is increasingly taken into account.

“It’s challenging, because many of those relationships are long term,” acknowledges one large prime broker, but we are really stewards of the bank’s balance sheet and we have repositioned where that balance sheet is being allocated to more strategic clients that are, by and large, touching other desks in the organisation.”

Use of balance sheet is not, of course, the only yardstick by which service relationships are judged. “When we sit down with our largest clients, they have models on their side to make sure that their priorities and those of our bank are aligned,” says one provider. The reality of balance sheet availability to the clients is that we need to ensure that in the different products that the client touches, be it rates, credit, FX, commodities, equities or equity derivatives that we understand the client’s overall wallet share, what our percentage is and what the client’s return on assets is, not only for prime brokerage but across the entire platform.”

What happens to clients who don’t pass muster by that criterion? “We have obviously had some clients that were with us for many years, but were of a smaller nature,” the broker says. “We did all we could to find them a home that would be more focused on their particular needs.”

Challenge of the new

If offboarding insufficiently engaged clients is a challenge, no less is the acceptance of new accounts. “We’re careful from a risk point of view not to go too far with funds that can’t invest in infrastructure and are wanting to outsource quite a bit on the trading and the CFO side; those won’t fit our mind set.”

One more recent entrant to prime brokerage describes the



industry as going through huge structural change. “Midway through last year, there was strong pressure on balance sheet. It has alleviated a bit this year, but it will return. To be successful as a new provider to large clients, you have to play a long game. It takes a time to build up relationships with some of these firms and even longer to build up the appropriate level of trust.”

Mini-primes

Opportunities for smaller providers of prime brokerage services are enhanced by the growing reticence of larger players to support small clients and new entrants. “The fact is when you total up the cost of onboarding the new client, the due diligence, the KYC and the IT, the costs add up,” says one service provider. “If you weigh up the ongoing costs for larger banks, that implies a minimum threshold of assets under management to cover the costs of service. We have to be conscious in a post-crisis environment of the

“Midway through last year, there was strong pressure on balance sheet. It has alleviated a bit this year, but it will return.”

profitability. There is a limit to the length of the long view we can take. Chasing mandate per se is not attractive.”

“The bar for beginning your own hedge fund and what you need for assets under management to break even, we calculate as close to \$140 million,” says another large PB. “We tend to pass on those with significantly less, who we feel are also not hiring the right CFO.”

Enter what are popularly known as mini-primes: “The mini-primes play a role there. We wait for the funds to get to a level where they need our equity platform and advisory service. That’s where we come back in.”

Mini-primes are seen by many – if not all – of the larger PBs as enriching the prime services eco-system. “It’s good for innovation for the industry to have a way for some of those smaller managers to enter the market,” says one. “It would not be healthy if start up managers couldn’t find some entry point.”

One smaller prime broker is happy to acknowledge the beneficial consequences for their business of the selective approach by the large traditional players. “Our total growth in the past year has been supplemented by the firm’s surge in new business that was previously with larger prime brokers, who found themselves having to discard clients due to balance sheet limitations,” they comment.

Cap intro

“The disparity with cap intro has always been that the small guys who need it the most are least likely to get it and the big guys who don’t need it are most likely to be offered it,” notes one PB wryly. Yet, one finding of the survey review that follows is that capital introduction services have slipped down the list priorities of this year’s respondents. For some this is not surprising. “It’s a question of performance,” says one PB for whom cap intro does not constitute a key part of their service. “If you have a fund that’s down 8%, the priority is to improve performance before coming back to the market for capital introduction.”

This no doubt suits the larger PBs with an established cap intro reputation. Here too providers are choosing to be more discriminating in who they extend the service to. “Our business is focused on partnering with marketable funds to provide bespoke capital introduction services on a selective basis,” says one. “Our approach to the process seeks to create customised programmes for each hedge fund manager we partner with and emphasises the importance of providing investor feedback. By definition, such a service cannot be offered indiscriminately.” ●

SURVEY OVERVIEW

Challenging times, new priorities

Pressure builds as hedge funds endure another tough year.

2015 was a difficult year for hedge funds as a whole. Markets were volatile, some major firms made some bad investment decisions and while investment returns were positive, an overall figure in low single digits is unlikely to impress prospective investors. Indeed surveys suggest that more investors expect to take money out of hedge funds in 2016 than add to their holdings. Some substantial funds closed their doors, at least to 'non-family' members and greater regulation threatens to increase that trend further in the years ahead. Nonetheless there was a positive flow of net new money in 2015 and some interesting new launches, and some observers remain confident that the industry will turn a corner in 2016.

Prime brokers were already facing ever increasing scrutiny from regulators, with resultant mounting pressures on capital ratios and profits driving a move towards tighter expense management and restrictions on availability of financing. Those trends were already impacting services in the 2015 survey results. Continuing hard times in the hedge fund community have simply exacerbated the problems for many. For the survey this has meant a shift in the nature of respondents for different providers. Specifically the larger prime brokers responses are even more concentrated among the larger clients, while smaller client responses tend to be for second tier providers and mini prime brokers. The latter market, in spite of the recent setback caused by a reported change in J.P. Morgan's approach to that business, continues to show good growth in client numbers.

Fewer 'anomalous' responses

Looked at in terms of Size and Geography, Table 1 illustrates how the responses to this year's survey break down. From the perspective of the location of the clients, the position is quite

similar to 2015. Almost three-fifths of respondents, based on weight of response come from North America. The proportion from UK clients grew slightly, from 15.5% of the total to 17.4% while Asian clients continued to provide the third largest group. Responses from European clients were down from 2015 levels and along with those from the rest of the world accounted for around 8% of the total.

The impact of greater focus of the survey is clear from the breakdown of responses by size, measured in this instance, as AuM. The weighted responses from Small and Medium sized clients amounted to just under one-quarter of the total weight of responses. This compares with more than 40% in 2015 and an even higher proportion in some prior years. This was offset by a dramatic increase in the proportion of responses accounted for by the Very Large, most sophisticated clients. They accounted for 41.7% of the total score, against a little less than 30% in 2015. The results of the survey are therefore much more representative of the views of larger clients, without the 'noise' that comes from having responses from very large numbers of smaller respondents. This facilitates more interesting and useful analysis of the results as well as representing a better reflection of the top end of the industry. As an additional benefit the reduction in the number of smaller client responses has had the effect of lowering the number of 'anomalous' responses that we receive. These responses have in the past had the effect of causing a difference between the raw scores and the normalised scores. The difference between these two different scores has roughly halved this year compared to 2015. While we do not expect to ever be able to eliminate some anomalous responses, the fact that they are having an ever decreasing impact on results is encouraging.

Table 1: Responses

By geography	Responses % by weight	Normalised average score
Asia	15.1	5.65
Europe ex-UK	4.7	5.31
North America	59.7	5.83
Rest of the World	3.1	5.82
UK	17.4	5.65

By size	Responses % by weight	Normalised average score
Very Large	41.7	5.59
Large	33.5	5.88
Medium	16.8	5.84
Small	8.1	5.88

Table 2: Services used

	2016 %	2015 %
Equity Prime Brokerage	76.0	70.5
Equity Swaps	39.7	41.3
Options	38.5	38.2
FX Prime Brokerage	31.7	29.1
Fixed Income Prime Brokerage	30.3	28.4
Futures Clearing	23.6	25.3
CFDs	22.6	21.6
Cross Product Margining	20.4	21.8
Credit Default Swaps	12.8	16.2
Swap Clearing	12.0	14.7
Interest Rate Swaps	8.3	11.2
Swap Intermediation	6.3	5.8
Commodities Prime Brokerage	6.2	7.5
Repos	6.0	7.8

Table 3: Top ten strategies among respondents

	2016 %	2015 %	2014 %
Equity Long/Short	22.5	19.4	22.0
Fixed Income	12.1	10.8	11.4
Event Driven	8.4	9.3	9.7
Market Neutral	6.3	6.6	5.9
Emerging Markets	5.7	6.9	7.1
Distressed	5.6	5.7	5.2
Macro	5.4	6.4	6.3
Convertible Arbitrage	4.2	4.6	N/A
Commodities	4.0	N/A	N/A
Private Equity	3.8	N/A	N/A
Other	22.0	21.4	20.2

Table 4: Number of prime brokers

	2016 %	Normalised av score 2016	2015 %	Normalised av score 2015	2014 %
1	20.8	6.07	20.2	6.15	34.9
2	25.6	6.02	25.8	5.86	28.5
3	20.5	5.70	18.0	5.93	15.0
4 or more	33.1	5.67	35.9	5.63	21.6

More equity

In terms of the type of services required by clients from prime brokers, Table 2 shows a breakdown of the 14 different types of service that respondents were asked to comment on. In terms of overall use the statistics suggest that clients on average use a little over three different types of service. More than three-quarters of respondents use equity prime broker services, up from 70% in 2015. A large proportion of these clients, more than half, also use equity swaps and a similar proportion, but not the same names necessarily, use options. The proportion using FX prime broker services has been fairly steady at just under one-third of respondents, while around one-quarter use futures clearing services. Interestingly while the proportion of clients using fixed income prime broker services has remained stable or increased, use of associated services such as credit default and interest rate swaps, swap clearing and repos all saw lower levels of usage than in 2015. This may be simply a question of

Table 6: Priorities

Area of service	All respondents 2016 %	All respondents 2015 %	All respondents 2014 %
Client Service	11.3	10.1	14.2
Competitiveness of Financing Rates	9.4	9.9	8.3
Counterparty Credit Risk	9.1	7.1	8.5
Safety of Assets in Custody	8.7	8.0	6.9
Reputation of the Firm	7.9	6.9	6.1
Capital Introduction	7.8	14.8	13.7
Access to hard to Borrow Securities	7.0	13.0	13.4
Technology	6.3	N/A	N/A
Access to Financing	5.7	13.0	10.3
Trading Capabilities	5.4	3.8	3.5
Fees and Rebate Rates	4.3	N/A	N/A
Global Reach	3.6	3.5	3.4
Other	11.9	10.0	11.6

terminology. However it does appear that the respondent profile in 2016 has a greater equity focus than a year ago.

This conclusion is also supported by the data in Table 3 which shows the principal trading strategies used by respondents. Traditional equity long/short was up to 22.5% of respondents, against 19.4% in 2015 and was higher even than in 2014. However event driven strategies, while still the third most important, accounted for a lower proportion this year than last. Indeed all the alternative strategies mentioned in previous years saw a decline, while commodities and private equity strategies were used more than ever before. It is important to stress that the figures reflect the 'principle' strategy being used. Many funds use multiple strategies and the results may reflect a change in focus as much as any exiting of particular lines of business. It is worth noting however that a number of funds did close down some macro and fixed income strategies after incurring steady and/or significant one-off losses.

Changes here and there

The traditional single prime broker model took something of a hit in the immediate aftermath of the financial crisis. The process of an ever expanding list of prime brokers, whether

Table 5: Overall scores

	2016		2015		2014		Difference	
	Normalised	2016	Normalised	2015	Normalised	2014	2016-2015 normalised	Difference 2015-2014 normalised
Client Service	5.91	6.00	5.91	6.04	5.90	6.03	0.00	0.01
Operations	5.81	5.91	5.86	6.00	5.90	6.03	-0.05	-0.04
Financing and Margining	5.75	5.85	5.74	5.91	5.84	5.98	0.01	-0.10
Securities Lending	5.84	5.95	5.89	6.06	5.84	6.00	-0.05	0.05
Reporting	5.75	5.86	5.79	5.94	5.81	5.96	-0.04	-0.02
Technology	5.75	5.87	5.83	5.99	5.83	6.00	-0.08	0.00
Hedge Fund Consulting	5.79	5.92	5.78	6.00	5.74	5.92	0.01	0.04
Capital Introductions	5.29	5.45	5.41	5.67	5.34	5.62	-0.12	0.07
Value	5.77	5.88	5.88	6.02	5.88	6.02	-0.11	0.00
Reputation	5.90	6.00	5.94	6.08	5.89	6.02	-0.04	0.05
Total	5.76	5.87	5.80	5.97	5.81	5.97	-0.04	-0.01

to spread risk or add functionality appears to be over. This in spite of the fact that regulations may make it superficially attractive. Table 4 shows the proportion of respondents using 1, 2, 3 or more than 3 prime brokers. What is noticeable is that there is very little change from 2015. Indeed when asked whether they thought their number of relationships would increase, decrease or stay the same, almost eighty per cent thought the number would stay the same. Of the remainder, increase was three times as likely as decrease. So the general trend would be towards a marginal increase in prime broker relationships. However the overall rate of growth indicated by the responses is insufficient to allow all prime brokers to achieve their own business objectives.

Overall scores are down compared with 2015 as is noted in Table 5 and discussed in more detail in the sections that follow. The changed nature in the make-up of respondents probably accounts for the decline however, rather than deterioration in services. In terms of priorities however the change in the mix of clients has definitely had an effect as can be seen in Table 6. Capital Introduction, which was a key factor in 2015, saw the number of mentions halve this year and it ranks only sixth. One factor that has increased in relevance is Client Service. In difficult times an ongoing commitment to client service is what marks out those firms that remain committed for the long term, from those that do not. It is also interesting to note the concern clients now have for the reputation and creditworthiness of their prime broker and their counterparties. All based around a desire for satisfaction concerning the safety of assets being held. A regulatory driver perhaps, but no less important for that. ●

CLIENT SERVICE

Questions	2016	2015
Client Service	5.91	5.91
Overall level of satisfaction with client service	5.96	5.94
Pro-activity and effectiveness of client service personnel	5.90	5.90
Knowledge and experience of client service personnel	5.92	5.93
Ease with which issues can be resolved	5.86	5.84
Stability of client service staffing	5.99	6.00
Ability to coordinate delivery of products and services	5.83	5.82

What constitutes excellence in Client Service? One client of Global Prime Partners Ltd summed it up well, “GPP is a trusted friend and partner for our business. From senior management all the way down it is a first class operation that is integral to our day to day activity.” It is not just smaller firms that can excel in Client Service however. Both Morgan Stanley and Goldman Sachs attracted praise in this area from a range of different types and sizes of client in various global locations. However maintaining a strong service ethic and execution is not easy. Consistency of senior relationship managers is important for many clients and turnover of personnel is almost always seen as a negative from the clients’ perspective. It is also a very individual and personal component of service. More than one-quarter of comments related to named individuals at particular companies. Personnel interaction with clients is often

at times of intense pressure and this makes complementary personalities important.

Overall Client Service was the most important aspect of service mentioned by respondents. It accounted for 11.3% of all client mentions, up from 10.1 a year ago. Scores overall were unchanged against a general trend towards slightly lower scores and as a result the scores were higher than for any other service category. In a period of continuing relationship pressure on profitability and returns, it is clear that quality people really make a difference.

OPERATIONS

Questions	2016	2015
Operations	5.81	5.86
Overall level of satisfaction with operations	5.84	5.83
Ability to take ownership of your operational requirements	5.86	5.90
Speed of resolution of breaks	5.81	5.87
Effectiveness in handling complex corporate actions	5.74	5.85
Ability to meet the operational demands of complex portfolios	5.80	5.86

Operations remains a core, if largely invisible part of prime broker service. Unfortunately for providers, it only really gets noticed if it is not performing well. Client comments suggest that there are few reasons to praise operations, even if they work well. It is also the case that clients take operations largely for granted and assume that it will work well, so the only room for surprise is on the downside. In terms of client comments, there were less than half as many as for Client Service. While the balance as a whole was just positive, the proportion of negative comments was higher here than in any other area. The number of comments was in line with other categories. Overall however scores were very reasonable posting a small decline but still ranking fourth best in terms of overall scores.

One area that does tend to elicit stronger opinions is corporate actions. The scores here were down by 0.11 points, among the highest for any question. While 5.74 is a perfectly acceptable score in an absolute sense it is somewhat disappointing in the context of what is a core aspect of the survey. BNP Paribas attracted positive comment in this area for, “going above and beyond in assisting across many different corporate actions.” Deadlines are never generous enough in corporate actions as noted by one firm who indicated that they were always asking their provider to extend the deadline and give extensions to cut-off times.

FINANCING AND MARGINING

Questions	2016	2015
Financing and Margining	5.75	5.74
Overall level of satisfaction with current financing & margining	5.67	5.72
Level of comms concerning impact of prospective regulations	5.70	5.74
Satisfaction with commitment to making financing available	5.81	5.80
Availability of collateral options	5.72	5.74
Flexibility of collateral options	5.71	5.65
Efficiency and accuracy of margin management	5.87	5.83

After the sharp rise in the importance of access to financing in 2014/15, it seems that clients and their prime brokers have reached a mutually acceptable modus operandi. No doubt this has been affected by a general reduction in leverage seen across respondents to the survey this year, caused in no small part by high volatility in some markets and a few ‘big bets’ that went badly wrong. Access to Financing ranked only ninth in terms of importance, where in 2015 it was second most relevant as clients looked at prime broker relationships. A level of satisfaction is also attested to by the average score achieved across all questions, which was marginally higher than a year ago. Interestingly the scores for overall satisfaction were lower than those for each distinct area of service. This suggests that some respondents may have a lingering reservation about financing, but as they look at specific elements, such as ongoing commitment they are slightly less concerned. Though scores are up, this still represents one of the weaker areas overall.

By way of illustration, one client of HSBC commented specifically that, “The Equity Finance (and Delta One Sales) desk have raised this score significantly. They have played a large part in aiding and enhancing the overall relationship.” While this kind of specific praise is not common, more general positive comments about the effectiveness of prime brokers in dealing with issues surrounding financing is.

SECURITIES LENDING

Questions	2016	2015
Securities Lending	5.84	5.89
Overall level of satisfaction with securities lending	5.85	6.00
Use of in-house & other info to identify trading opportunities	5.78	5.85
Protection against buy-ins/recalls of borrowed securities	5.98	6.12
Access to hard-to-borrow securities through this prime broker	5.77	5.86
Ability to offer less capital intensive alts to stock borrowing	5.72	5.62

Securities Lending achieved the third best score among the eleven categories covered by the survey. However scores were down compared with 2015, in some cases significantly so. The one area to stand out from the trend were the improving scores seen in answer to the question of ability of prime brokers to provide alternatives to securities lending that were less capital intensive. This is consistent with the financing area. It appears that brokers generally have worked with clients to enable them to continue to pursue chosen investment strategies, using less capital, wherever possible. This left scores in this area at a similar level to those in respect of other elements of Securities Lending. Protection against buy-ins and recalls was once again the question that scored highest, even though the average was well down compared with a year earlier. It is also clear from comments that the general trend to reduced leverage has impacted the extent to which securities lending is an important factor for clients. A number of respondents commented that borrowing was lower now than previously. Increased volatility also means less appetite for strategies involving less liquid and harder to borrow stocks. Access to hard to borrow securities was mentioned as a priority

by only 7% of respondents in 2016 compared with 13% a year earlier. As a result it was only sixth most important feature as opposed to second in 2015.

REPORTING

Questions	2016	2015
Reporting	5.75	5.79
Overall level of satisfaction with reporting services	5.75	5.76
Reporting of where assets are being held	5.59	5.63
Ease of integrating data into your own systems	5.69	5.73
Timeliness of delivery of reports	5.94	6.01
Ability to provide consolidated reporting	5.76	5.77

Accurate and timely reporting forms the core of any prime broker service. It tends to be linked closely to technology, though the demands of clients for custom reports means that technology is unlikely to be the only solution that is needed. Indeed flexibility is the watchword for providers who like Morgan Stanley scored well in this area, with one client noting that, “Flexible reporting has really made a difference to manageability of reporting with high volume. MS’ offering is of a high standard.” However for the most part Reporting is an area where attention is only usually focused when it is not working well. Under investment in technology, with a resultant lack of high quality reporting was a criticism levelled by one client in explaining their low scores for one of their prime brokers. Specific regulatory reporting offerings are growing in importance. EMIR was the area that attracted most comment in 2016, some positive and some negative. However the fact that Reporting features very low on the list of priorities, suggests that clients are generally satisfied. Timeliness of report provision has always been important to clients and the very high standard of scoring in this area was continued this year. While the average was below 6.0 (Very Good) it remained, at 5.94 among the highest scoring of all questions in the survey. The weakest area was once again reporting of where assets are held, with scores here continuing a steady decline. As regulators look more carefully at the separation between brokers and depositories, this aspect may increase in visibility in the coming year.

TECHNOLOGY

Questions	2016	2015
Technology	5.75	5.83
Overall level of satisfaction with technology	5.70	5.74
Usefulness to your fund(s) of workflow tools	5.66	5.72
Reliability of electronic trade execution services	5.89	5.96
Ease of access to post-trade data offered by this prime broker	5.81	5.88

Technology covers a wide array of elements of any prime broking service. At the front-office end is the ability to trade using the best execution management tools. Meanwhile the back office is concerned about the ability of technology to deliver core reports in an accurate and timely manner, while

middle office functions are looking for help is simplifying work flows. Based on the scores received it would appear that front-office respondents are most satisfied. 5.89 as an average score was high, even though it was continuing a downward trend. This matters because Technology moved sharply up the rankings of priorities for clients. In 2015 Technology was not in the top ten and scores less than 3% of the mentions. This year it more than doubled, to 6.3% of all mentions and ranked eighth among the list of key requirements for respondents evaluating their prime brokers. Comments from clients are mixed and not especially numerous, but do contain some detailed insight into issues that clients are struggling with. Equally while some new systems implementations have earned praise, others are seen to have had significant teething problems. In a business where client demands and requirements move as fast as money markets, difficulties with technology solutions are inevitable. For large hedge fund managers however, improving productivity through using technology is essential to longer term viability. Brokers and their clients have a mutual interest in getting this right.

HEDGE FUND CONSULTING

Questions	2016	2015
Hedge Fund Consulting	5.79	5.78
Overall level of satisfaction with hedge fund consulting svcs	5.89	5.86
Value of advice and assistance to start-up funds	5.89	5.95
Value of advice on business strategy	5.80	5.82
Value of advice on making your fund(s) more attractive	5.64	5.66
Ability to provide information about evolving capital rules	5.74	5.77

Hedge fund consulting is mainly focused at the time a fund is starting up or a new fund is being launched by a manager who already has other funds. As such it is not something that is used consistently by clients. In addition it is not a service that is formally offered by all prime brokers although most will engage in discussions as part of a broader relationship management discussion. These factors no doubt account for the relatively small proportion of respondents who answered this question. However in spite of the lower response rate and the fact that different respondents are likely to have used the service in any given period, scores are quite consistent across the years. Generally the category scores well. The average of 5.89 for consulting around the time of start-up is on a marginally upward trend, in contrast to the survey results as a whole.

Where services are available they are often much appreciated. One client of Goldman Sachs praised their weekly review of activity as well as their help in advising around staffing and compensation issues. A close relationship can obviously result from the development of connections in this way. Others find help harder to get and it is clear that for some, prime broker service is about trading, financing and operations, not around more general business support. This remains a niche service but one in which differentiation from others is possible.

CAPITAL INTRODUCTION

Questions	2016	2015
Capital Introductions	5.29	5.41
Overall level of satisfaction with capital introduction services	5.27	5.44
Usefulness of regular intelligence on trends in investor thought	5.37	5.50
Effectiveness in screening investors	5.39	5.51
Effectiveness in introducing fund to actively allocating investors	5.14	5.29

One of the noticeable aspects of the Survey this year was the fact that Capital Introduction fell a long way in importance to clients. With 14.8% of all mentions in 2015, it had been by some margin the single most important factor. That was not the case this year. Priority mentions were only 7.8% of the total and it ranked sixth overall. In part this is accounted for by the higher proportion of responses from larger clients who have less need of the services. It may also reflect a reduced emphasis on the service as underlying investors were less active in allocation monies to hedge funds. It is also a service not all prime brokers offer. This can impact on scores for those brokers, where clients would like to see a service provided. A number of clients commented to this effect in relation to some specific prime brokers. In addition while comments were generally favourable, a relatively large number felt that the level of coverage and engagement had declined in the last year. Indeed the most favourable comments related to services outside the US and to capabilities involving more general market colour and advice, as well as broad based events, rather than specific introductions as such. The major providers including Morgan Stanley and Goldman Sachs received the largest number of positive comments as might be expected. European banks appear to be among those seen as doing less in this area than previously. The scores are obviously impacted by the fact that some banks do not offer services and a large number of bigger respondents do not use them. This affects the level of responses and also the scores. Overall these are disappointing, posting significant declines compared with 2015 and being by some margin the area of lowest scores.

VALUE DELIVERED

Questions	2016	2015
Value	5.77	5.88
Overall value	5.78	5.85
Transparency of reporting of fees, charges and rebates	5.76	5.91

Scores for Value Delivered are a measure of the success of prime brokers in delivering services that their clients appreciate. In most surveys scores related to costs would be among the lowest. Here however, despite a noticeable decline in 2016, they remain marginally ahead of the scores for the Survey overall (5.77 vs 5.76). The level of satisfaction is also reflected in the fact that Fees only accounted for 4.3% of total mentions among client priorities. Brokers should not be complacent however. For the first time Fees did make the top twelve areas of priority, albeit only ranking eleventh. Nonetheless in an

environment where clients are under fee and performance pressures themselves, it is only logical that they should be more sensitive to their costs of doing business, which, after their own personnel costs are weighted heavily towards fees and commissions paid to prime brokers. In that regard it is also worth noting that scores for Transparency and reporting of fees were well down on a year ago, falling 0.15 points. A number of specific client comments were favourable in this regard. HSBC for example was praised by one client for, “Reporting is clear and easy to understand where the fees are being charged from.” That seemed to be an exception however with a number of brokers being criticised both for a lack of clarity around charges, overcharging and errors more generally. In spite of these difficulties however the main conclusion is valid. Clients are generally satisfied with the costs of services being delivered by the prime brokerage industry and the value, in terms of products and services that they receive for the fees being paid.

REPUTATION

Questions	2016	2015
Reputation	5.90	5.94
Overall reputation of this prime broker	6.03	6.07
Willingness and effectiveness in lobbying on behalf of clients	5.74	5.72
Evidence of continuing commitment to prime brokerage	5.86	5.94

At a time of continuing change both in the market for hedge funds and the capabilities and appetite of different prime brokers it is critical that clients believe in the commitment of their prime broker, both to them as clients and to the business more broadly. As one client of Credit Suisse expressed, “CS claims to have the commitment to PB and we think that they do, but we have some concern about their new management and are interested in seeing what happens in the near future.” Maintaining client confidence that commitment exists involves both rhetoric and action. Senior management change was commented on by quite few clients about a range of different prime brokers. This is hardly a surprise, but the industry should recognise that clients both notice these things and are concerned by them. Providing reassurance, both through face-to-face contact and demonstrable product and service developments is not optional if the business is going to thrive.

In terms of scores, the results suggest that for the most part leading brokers have performed well with leading clients. Although average scores are slightly down on 2015 levels, they are consistent with those seen in 2014 and, in the case of Commitment somewhat higher. It would seem that the overall shake out within the business, precipitated by concerns about capital availability and relationship returns are now largely over. While the industry is not completely unscathed by the experience, it has, taken as a whole, done well. Individual institutions have however seen quite different perceptions about their reputation and commitment emerge. Some cases are positive, others much less so.

As well as providing a series of profiles of a large number of prime brokers that were active in the survey, last year we

replaced the Roll of Honour ranking by a series of assessments of how well the major players have performed. Tables 6 to 18 show the relative share of responses, based on weight received by the leading providers in different groups of clients. Tables 7 to 10 show the different lists based on size of respondent. Tables 11 to 17 consider the ranking based on the country in which the client is based. The Tables include 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 size, location or type of client. So a provider could outperform the average for European clients, with a score that was lower than the overall score in the Survey, or not outperform among Small 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%.

Then for the leading eight prime brokers based on responses, received there is a Table showing whether they have outperformed in different categories across different types of clients. Obviously the Tables reflect responses to the Survey which may or may not be truly representative of overall client numbers. They are therefore intended as a guide not a definitive ranking. Similarly while outperforming is better than

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.

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 should be regarded as performing at very high levels. ●

Table 7: Very large

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

Table 8: Large

1	Morgan Stanley	Outperformer
2	Goldman Sachs	
3	J.P. Morgan	
4	BNP Paribas	Outperformer
5	Deutsche Bank	Outperformer
6	Bank of America Merrill Lynch	Outperformer
7	UBS	Outperformer
8	Credit Suisse	
9	Pershing Prime Services (BNY Mellon)	
10	HSBC	

Table 9: Medium

1	Morgan Stanley	Outperformer
2	Goldman Sachs	
3	BNP Paribas	Outperformer
4	Deutsche Bank	Outperformer
5	Bank of America Merrill Lynch	
6	J.P. Morgan	
7	UBS	
8	Wells Fargo Prime Services	Outperformer
9	HSBC	
10	Scotia	Outperformer

Table 10: Small

1	Morgan Stanley	Outperformer
2	Cowen Prime Services LLC	
3	BNP Paribas	
4	Maxim Group LLC	Outperformer
5	Cantor Fitzgerald & Co.	Outperformer
6	Goldman Sachs	
7	Deutsche Bank	
8	Global Prime Partners Ltd	Outperformer
9	Bank of America Merrill Lynch	Outperformer
10	UBS	

Table 11: Australia

1	Morgan Stanley	Outperformer
2	UBS	
3	Deutsche Bank	
4	Bank of America Merrill Lynch	

Table 12: Canada

1	Scotiabank	Outperformer
2	BMO Capital Markets	Outperformer
3	TD Securities	Outperformer
4	J.P. Morgan	
5	Morgan Stanley	
6	Societe Generale Prime Services	

Table 13: Hong Kong

1	Morgan Stanley	Outperformer
2	Deutsche Bank	Outperformer
3	Goldman Sachs	Outperformer
4	Credit Suisse	
5	Bank of America Merrill Lynch	
6	HSBC	
7	UBS	

Table 14: Singapore

1	Morgan Stanley	Outperformer
2	Bank of America Merrill Lynch	
3	Goldman Sachs	Outperformer
4	HSBC	Outperformer
5	BNP Paribas	

Table 15: Switzerland

1	Goldman Sachs	
2	UBS	Outperformer
3	Morgan Stanley	

Table 16: UK

1	Morgan Stanley	Outperformer
2	Goldman Sachs	Outperformer
3	UBS	
4	HSBC	
5	Bank of America Merrill Lynch	
6	Deutsche Bank	Outperformer
7	J.P. Morgan	
8	Credit Suisse	
9	BNP Paribas	Outperformer
10	Citi	
11	Global Prime Partners Ltd	
12=	Barclays	Outperformer
12=	Societe Generale Prime Services	Outperformer

Table 17: United States

1	Morgan Stanley	Outperformer
2	BNP Paribas	Outperformer
3	Goldman Sachs	Outperformer
4	J.P. Morgan	
5	Pershing Prime Services (BNY Mellon)	
6	Credit Suisse	
7	Wells Fargo Prime Services	Outperformer
8	Bank of America Merrill Lynch	
9	Deutsche Bank	
10	Barclays	
11	Citi	
12	Cowen Prime Services LLC	Outperformer
13	Cantor Fitzgerald & Co.	Outperformer
14	UBS	
15	Fidelity Prime Services	Outperformer

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		★		★	★	★	★		★	★
Very Large							★			
Large			★	★			★			★
Medium			★	★		★		★	★	
Small					★	★	★	★		
Equity Long/Short		★	★	★			★	★	★	
Fixed Income	★		★		★	★				
Event Driven						★		★		
Macro										
More than 3 Prime Brokers				★			★			

BNP Paribas	Client Service	Operations	Financing & Margining	Securities Lending	Reporting	Technology	Hedge Fund Consulting	Capital Introductions	Value	Reputation
North America	★	★	★	★	★	★			★	★
UK	★	★	★				★	★	★	★
Europe ex-UK	★	★	★	★	★		★	★		★
Asia				★			★		★	
Very Large	★	★	★	★	★	★		★	★	★
Large	★	★	★	★	★	★	★		★	★
Medium	★	★	★	★	★	★	★	★	★	
Small	★	★	★	★	★	★			★	★
Equity Long/Short	★	★	★	★	★	★	★		★	★
Fixed Income	★	★	★	★			★	★	★	★
Event Driven	★	★	★	★	★	★	★	★	★	★
Macro	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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				★		★	N/A	N/A		
Asia										
Very Large										
Large										
Medium							★	★		
Small			★				★		★	
Equity Long/Short										
Fixed Income										
Event Driven								N/A		
Macro										
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	★	★	★	★	★	★	★	★	★	★
Very Large	★	★	★	★	★	★		★	★	
Large	★			★		★	★	★		
Medium	★	★	★	★			★	★	★	
Small				★				★		
Equity Long/Short	★	★	★	★	★	★	★	★	★	★
Fixed Income	★			★	★		★	★		
Event Driven	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Macro				★			★			
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	★		★		★	★	★	★	★	★
Very Large	★	★	★	★	★	★	★	★	★	★
Large	★				★		★	★		★
Medium										
Small							★			
Equity Long/Short					★	★				★
Fixed Income	★	★	★		★	★	★	★	★	★
Event Driven	★	★	★	★	★					★
Macro	★	★	★	★	★	★	★	★	★	★
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										
Very Large										
Large				★						
Medium							★			
Small							N/A			
Equity Long/Short										
Fixed Income										
Event Driven		★								
Macro	★	★	★							
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	★	★	★	★	★	★	★	★	★	★
Very Large	★	★	★	★	★	★	★	★	★	★
Large	★	★	★	★	★	★	★	★	★	★
Medium	★	★	★		★	★	★	★	★	★
Small	★	★		★	★	★	★	★		★
Equity Long/Short	★	★	★	★	★	★	★		★	★
Fixed Income						★	★			★
Event Driven	★	★	★	★	★	★	★			★
Macro	★	★	★	★	★	★	★	★	★	★
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										
Very Large										
Large		★	★	★	★	★	★	★	★	
Medium										
Small						★				★
Equity Long/Short	★	★	★	★	★	★	★		★	★
Fixed Income						★	★			★
Event Driven	★	★			★	★	★			★
Macro	★	★	★	★	★	★	★	★	★	★
More than 3 Prime Brokers	★	★	★	★	★	★	★	★	★	★

ABN AMRO Clearing

While ABN AMRO Clearing (AAC) is known as a global provider of clearing services for principal trading groups, it has invested in enhancing its services to asset managers and hedge funds over the last couple of years. It is a fully owned subsidiary of ABN AMRO group and fully dedicated to servicing external clients and is not involved in prop trading activities.

AAC's client base is composed of prop trading groups, brokers, banks, corporate hedgers and hedge funds. It counts 215 hedge fund managers responsible for 430 separate funds and 100 funds of funds. Clients are serviced operationally out of centres in Europe (London, Amsterdam), US (Chicago) and APAC (Sydney, HK, Singapore, Tokyo) with additional customer/relationship management facilities in New York, Frankfurt and Paris. AAC highlights its risk management model that generates offset across asset classes. This allows AAC to optimise collateral needs from hedge funds and to finance cash, securities and initial margin needs, notably for quantitative and arbitrage strategies.

Appearing in the survey for the first time, its scores are adequate on the whole. While it is below the market average in all service areas taken in aggregate, its highest scores are for Value Delivered and Client Service. In the latter, however, client comment falls short of praise. One mid-size client identifies one member of staff as saving the bank from a lower rating, while a smaller client bemoans levels of staff turnover in the past year. Interestingly, however, at an individual question level, the bank is rated reasonably well (5.68) for the ability of staff to take ownership of clients' operational requirements. According to one European manager, AAC could do with more headcount and real-time position reporting, though it complements solid relationship and product management.

Securities lending and capital introduction score lowest with results in the Satisfactory range (4.00 – 4.99). The latter, however, is more a reflection of a wish for a service than a judgment on any capabilities offered.

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	N/A	N/A
Europe ex-UK	56.5	N/A
North America	17.7	N/A
Rest of the World	N/A	N/A
UK	25.8	N/A
	Responses % by weight 2016	Responses % by weight 2015
By size		
Very Large	21.0	N/A
Large	27.4	N/A
Medium	22.6	N/A
Small	29.0	N/A

Service area

	2016	2015	Difference (2016-15)
Client Service	5.63	N/A	N/A
Operations	5.43	N/A	N/A
Financing and Margining	5.48	N/A	N/A
Securities Lending	4.29	N/A	N/A
Reporting	5.37	N/A	N/A
Technology	5.08	N/A	N/A
Hedge Fund Consulting	5.04	N/A	N/A
Capital Introductions	5.17	N/A	N/A
Value	5.65	N/A	N/A
Reputation	5.56	N/A	N/A

Not all comments are negative however. Much of the positive sentiment comes from smaller managers in continental Europe. "ABN AMRO is a very solid, reliable prime broker with great staff," says one.

"ABN has 100% achieved full integration: a seamless organisation," says another. Nevertheless, breadth of coverage in terms of both asset class and geography is seen as a limitation by some.

"ABN covers Europe/US very well. Accessing emerging markets is very difficult or there is no coverage," notes one client. "They don't clear cash FX," says one US entity.

The overall sense from both the quantitative results and qualitative comment is that AAC's prime broker service is, as one smaller European fund manager puts it, "a work in progress".

Clients do, however, seem willing to give the bank a chance to prove itself. The same manager notes that, "The reputation of this PB is one of the main reasons we are with them." Also in the banks favour is the fact that the small sample of very large clients are the most generous, scoring several service areas above 6.00 (Very Good). ●

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	2.0	N/A
Weight of Responses	1.4	N/A
Anomalous Responses	0.7	N/A
	Responses % by weight 2016	% where ranked #1
Multi-broker position		
% of total Single Broker Responses	3.2	
% of total 2 broker responses	2.4	70.0
% of total 3 broker responses	2.1	57.1
% of total 4+ broker responses	1.1	33.3

Bank of America Merrill Lynch

BAML's results to 2015 show increases in three-fifths of service areas where moves are mostly from the mid- to upper-fives. This is impressive given that this year's response sample for the bank shows a much greater proportion by weight of very large clients, who tend to have the most complex service needs and are often relatively less effusive in their assessments.

This appears to be the case too with BAML where, viewed by size, category scores are generally lower for the largest clients by AuM. Interestingly, those just below this category in size are much more appreciative, awarding scores above six (Very Good) for Reputation, Securities Lending and Hedge Fund Consulting.

In the last of these, BAML slightly exceeds the market average. "Very helpful and knowledgeable expertise paired with excellent service by the BAML HF consulting team," notes one Hong Kong-based client."

Client comments vary by service area. In Client Service, one mid-tier US client points to "great response times", while others in the same category single out individual members of the team for praise. One Hong Kong based manager cites the bank's operations as a strength, suggesting that, "Technology and flawless global operational process is the key reason we like Merrill's."

Reporting is the category area showing the second biggest increase in rating, up from 5.41 in 2015 to 5.57 this year. Client comment, however, suggests further room for improvement. One large European client explains that it has given a low rating in this category "due to reporting issues experienced on EMIR delegated reporting services."

A smaller US manager "would like to see them offer P&L reporting on equities – other PB's provide this." It adds, however, that the flexibility of the portal and ability to customise reports are both welcome.

While Cap Intro attracts the bank's lowest score at a category level (5.36), there are clearly a number of very satisfied

Service area

	2016	2015	Difference (2016-15)
Client Service	5.61	5.64	-0.03
Operations	5.53	5.57	-0.04
Financing and Margining	5.64	5.50	0.14
Securities Lending	5.80	5.65	0.15
Reporting	5.57	5.41	0.16
Technology	5.59	5.67	-0.08
Hedge Fund Consulting	5.81	5.57	0.24
Capital Introductions	5.36	5.32	0.04
Value	5.68	5.64	0.04
Reputation	5.74	5.74	0.00

recipients of this service. "Good targeted introductions," says one large US client. "Very active team. Excellent market intelligence. Very, very good at events. Shows a lot of dedication to our firm and it is appreciated."

Smaller Asian and European clients are also complimentary. "The excellent cap intro for Tokyo landed us good prospects and earned my reward for Merrill's on this front!" says one.

BAML itself sees its hedge fund franchise as expanding 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 adds that, "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."

The general tenor of client comment seems to confirm that the message is getting through. Says one respondent in Asia: "For us it all just works." ●

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	31.1	20.4
Europe ex-UK	2.7	5.4
North America	41.4	52.5
Rest of the World	N/A	3.4
UK	24.8	18.3
By size		
Very Large	48.1	30.6
Large	32.5	32.1
Medium	14.8	28.8
Small	4.6	8.4

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	5.1	6.7
Weight of Responses	5.5	7.3
Anomalous Responses	4.7	3.6
Multi-broker position		% where ranked #1
% of total Single Broker Responses	3.5	
% of total 2 broker responses	3.4	35.7
% of total 3 broker responses	7.9	38.5
% of total 4+ broker responses	6.5	2.9

Barclays

Barclays' responder base this year diverges significantly from 2015. Asia which accounted for some 9% of responses by weight in 2015 is has seen its representation increase by several percentage points in this year's sample, while UK is now 21%, up from 7.6% last year. Large and very large clients account for 89% of responses by weight in this survey, compared to 78.6% in 2015.

The bank has, in common with many of the providers rated, seen a falling off in scores. In general, this has meant a drop from the upper-fives to the mid-fives. Category scores remain in a relatively narrow range from 5.89 at the upper end for Hedge Fund Consulting to a low of 5.30 for Reporting Services.

Scores vary substantially from region to region. North American clients bring in ratings that are very similar to Barclays' overall ratings in 2015. Asian respondents appear more critical overall, scoring four service areas – Financing and Margining, Securities Lending, Cap Intro and Reputation – as merely Satisfactory (4.00–4.99). Those in the UK are responsible for the widest variation in scores. Amongst this group, three service areas – Hedge Fund Consulting, Securities Lending and Cap Intro – record scores above six (Very Good), while Reputation rates only just above 4.7. Of the former, one client notes that the bank provides “meaningful industry analyses that are shared with clients and have been helpful with employment searches.”

Asked to identify strengths and weaknesses of this provider, clients list Repo, Financing and Client Services among the former as well as “Engaging in a full-service relationship across all parts of the firm.” Areas cited as needing improvement include Technology and Reporting. Specific requests include “Streamlining operations team (too many points of contact to deal with)” and earlier issuing of settlement instructions to settlement agents. On Cap Intro specifically, one UK client praises the level of expertise of their relationship manager, but hints that, “I would love to see more introductions to investors that may be interested in our funds.”

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	N/A	9.2
Europe ex-UK	2.7	8.1
North America	63.6	74.4
Rest of the World	N/A	0.7
UK	20.9	7.6
By size		
Very Large	58.1	40.0
Large	30.9	38.6
Medium	7.4	17.3
Small	3.7	4.1

Service area

	2016	2015	Difference (2016-15)
Client Service	5.57	5.73	-0.16
Operations	5.51	5.67	-0.16
Financing and Margining	5.62	5.62	0.00
Securities Lending	5.59	5.92	-0.33
Reporting	5.30	5.62	-0.32
Technology	5.51	5.58	-0.07
Hedge Fund Consulting	5.89	5.95	-0.06
Capital Introductions	5.51	5.82	-0.31
Value	5.41	5.82	-0.41
Reputation	5.47	5.70	-0.23

Analysis by size of respondent also throws up some surprising contrasts. The score for Reporting Services, for example, ranges from 6.44 among smaller clients to 5.28 among the largest. Cap intro, meanwhile, scores only 4.20 among small clients, but 6.00 among mid-tier managers. The latter award the bank the highest possible score (7.0) for Hedge Fund Consulting. This is also the one service area where Barclays outperforms the global average, scoring 5.89 as against 5.79. At the other end of the scale, the bank under performs by 45 basis points in the areas of Reporting Services and Capital Introduction. Compared to 2015, however, Capital Introduction has also slipped down the scale in terms of priority for Barclays respondents and appears only of middling importance in their reasons for selecting a prime broker.

At an individual question level, Barclays achieves its highest score (6.07) for overall levels of satisfaction with Hedge Fund Consulting Services, followed by the ability to provide usable information and actionable guidance about how to adapt to evolving capital rules (5.92). At the other end of the scale, effectiveness in introducing funds to actively allocating investors (5.16) sees the biggest drop from 2015 (0.95). ●

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	2.0	7.0
Weight of Responses	2.4	7.9
Anomalous Responses	0.0	9.9
Multi-broker position		% where ranked #1
% of total Single Broker Responses	0.3	
% of total 2 broker responses	0.7	33.3
% of total 3 broker responses	2.4	12.5
% of total 4+ broker responses	4.0	4.8

BMO Capital Markets

BMO Capital Markets this year achieves sufficient responses for a full rating. The Toronto-based PB's response sample comes exclusively from fund managers in North America, but all investment strategies are represented, with a predominance of equity long/short, fixed income and event driven. The priorities most frequently cited among these respondents for their selection of a service provider are client service capabilities, competitiveness of financing rates and asset protection.

The bank outperforms the global average in half the service categories and falls short in the other half. Its most impressive service area is client service with 6.18 compared to a global average of 5.91. Client comment is generally favourable in this category. "BMO's people are excellent; very knowledgeable, competent and helpful," says one small client. Another comments that, "Client service tends to be proactive and works to solve problems that don't have obvious solutions." Individual members of the team are described as "excellent and outstanding" and the entire team as "fantastic."

Securities Lending, Reporting and Technology are among the areas where BMO's scores fall short of the market average. One client describes the bank's lending capabilities as "pretty good in North America, though rates feel a bit high, and very weak lending ability overseas." As for Reporting, one client complains that BMO is weak at providing easy to access information on position cost, commission tracking, and P&L. Another contrasts the bank's personnel with its systems: "BMO's staff is exceptional; however, their technology is not 'best in class'." At an individual question level, BMO scores highest for stability of client staffing (6.56) and value of advice and assistance to start up funds (6.50). Its lowest scores are for its ability to offer less capital intensive alternatives to stock borrowing (4.67) and its ability to provide consolidated reporting across asset classes (4.78).

BMO received far fewer responses in 2015 and therefore any comparisons year-on-year should be treated with caution. Nevertheless, there are some notable differences at either

Service area

	2016	2015	Difference (2016-15)
Client Service	6.18	N/A	N/A
Operations	5.90	N/A	N/A
Financing and Margining	5.43	N/A	N/A
Securities Lending	5.66	N/A	N/A
Reporting	5.27	N/A	N/A
Technology	5.30	N/A	N/A
Hedge Fund Consulting	6.00	N/A	N/A
Capital Introductions	5.58	N/A	N/A
Value	5.99	N/A	N/A
Reputation	6.10	N/A	N/A

end of the spectrum. The three most improved scores are, respectively, introducing funds to actively allocating investors (+0.85), use of in-house and third-party securities lending (+0.79) and usefulness of regular intelligence on trends in investor thought and behaviour (+0.52).

The largest relative declines in perception were for value of advice on making funds more attractive to investors (-1.30), reliability of electronic trade execution services and ability to monitor real-time trading information (-1.05) and effectiveness in screening investors to identify those appropriate to a fund's investment strategy (-0.91).

While BMO's response sample is exclusively North American, all client sizes are represented, the bulk being in the mid-tier to large categories. Small clients provide the bank with its highest scores, notably in the areas of Financing and Margining, Client Service and Reputation. Among large clients, however, the first of these is seen as simply Satisfactory. Client service, by contrast, appears to be well regarded across all client size categories. The bank is well-positioned to build on this solid performance in the year ahead. More investment in client-facing IT would hopefully be reflected in improved scores in 2017. ●

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	N/A	N/A
Europe ex-UK	N/A	N/A
North America	100.0	N/A
Rest of the World	N/A	N/A
UK	N/A	N/A
By size		
Very Large	9.3	N/A
Large	44.4	N/A
Medium	37.0	N/A
Small	9.3	N/A

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	2.0	N/A
Weight of Responses	1.4	N/A
Anomalous Responses	0.7	N/A
Multi-broker position		% where ranked #1
% of total Single Broker Responses	3.2	
% of total 2 broker responses	1.5	100.0
% of total 3 broker responses	0.6	0.0
% of total 4+ broker responses	1.1	16.7

BNP Paribas

BNP Paribas offers prime services out of New York, Chicago, San Francisco, London and Hong Kong. The bulk of its responses this year are from US managers, followed somewhat down by UK clients. Viewed by assets under management, the 'very large' category is up quite significantly. The survey as a whole has seen a shift to larger respondents, but this is particularly so in the case of BNP Paribas. As a general rule, this client group is the most rigorous in its assessments and hardest to please. It is not surprising therefore to find BNP Paribas' scores at a category level dropping by a few basis points in most cases. The bank nevertheless remains a global outperformer among US and UK client segments and amongst all client size groups with the exception of small clients.

Client Service as a whole is rated 6.3 – well above the market average. Multiple client comments back this up. "Always available and helpful. Any issues that arise are dealt with promptly and efficiently," says one UK manager. Other comments from US and Australian managers of various sizes include, "awesome", "a great partner" and "client support has been second to none." Several individual client service representatives are singled out for praise.

This is confirmed at a question level, where the bank's top five scores are all for various aspects of client service. Overall satisfaction with client service and stability of client service staffing come in first and second.

Among the client comments, two other service areas come in for specific praise. One client describes the bank's reputation as "best in class". Another labels BNP Paribas as an "under appreciated prime broker." Securities Lending also receives positive reviews. "We work closely with BNP's stock loan and they've done an excellent job in sourcing," says one manager, while another notes simply, "great cash equity Sec Lending desk."

The one area where appreciation, judging by client comment, appears least consistent is Reporting Services. Comments range from "outstanding" to "BNP Paribas reporting

Service area

	2016	2015	Difference (2016-15)
Client Service	6.30	6.40	-0.10
Operations	6.17	6.34	-0.17
Financing and Margining	6.02	6.14	-0.12
Securities Lending	6.07	6.19	-0.12
Reporting	5.93	5.96	-0.03
Technology	5.98	5.99	-0.01
Hedge Fund Consulting	5.80	5.99	-0.19
Capital Introductions	5.26	5.65	-0.39
Value	6.05	6.27	-0.22
Reputation	6.08	6.22	-0.14

is terrible; we have to contact several different groups to get exposure for one account." One more nuanced comment notes, "Reporting has been great. Only pushback here is they have been unwilling to integrate their CSA platform with our aggregator."

At a category level, BNP Paribas outperforms in all areas with the exception of Capital Introduction. This is also the category where the bank regards the biggest year-on-year drop. This may reflect both the fact that profile of this year's respondents for the bank have less call on its expertise in this area and that BNP Paribas, along with many of its peers, is revisiting a number of its client relationships.

At a question level the bank's lowest scores – and also those recording the biggest year-on-year fall – are for overall level of satisfaction with capital introduction services (4.98, down from 6.24) and effectiveness in introducing funds to actively allocating investors (5.13, down from 6.16).

In terms of priorities for selection of a service, respondents for BNP Paribas list client service capabilities, competitiveness of financing rates and asset safety and protection as the top three. Capital Introduction this year comes in 10th. ●

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	5.5	7.3
Europe ex-UK	4.3	5.0
North America	62.9	77.3
Rest of the World	N/A	0.3
UK	10.4	10.1
By size		
Very Large	44.9	25.7
Large	29.0	22.0
Medium	18.4	38.3
Small	7.7	14.1

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	9.9	11.2
Weight of Responses	9.5	10.1
Anomalous Responses	22.2	25.5
Multi-broker position		% where ranked #1
% of total Single Broker Responses	13.5	
% of total 2 broker responses	10.7	52.3
% of total 3 broker responses	9.8	43.8
% of total 4+ broker responses	8.2	23.3

Cantor Fitzgerald & Co.

Cantor Fitzgerald has seen an increase in its client base for the second consecutive year. It now counts 135 hedge fund managers among its PB clients, up from 125 last year. While some 65% of these would count as small, with AuM of below \$100 million, all size categories are represented, the vast majority being based in North America.

Bucking the survey trend, Cantors category scores are up across the board, outperforming the global average in all areas. The broker's second best category score is for Client Service. This is borne out by several client comments. "Cantor delivers the kind of personal service that can only come from a smaller, less bureaucratic prime broker," says one. "I am a small client but do not feel so. They are very responsive and helpful," says another. Several individual account managers receive praise.

Cantor Prime Services describes itself as offering clients "a high touch, multi-asset prime brokerage platform, specialising in global execution, financing, clearing/custody, portfolio reporting, and capital introduction." When it comes to cap intro, says Cantor, "Our business is focused on partnering with marketable funds to provide bespoke Capital Introduction services on a selective basis. Our focused and consultative approach to the process seeks to create customised programmes for each hedge fund manager we partner with and emphasises the importance of providing investor feedback upon the completion of each introduction." Client comment appears to support this self-assessment. "We find their introductions to be of consistent quality, particularly within the family office space," says one satisfied client. "Their market intelligence is a true value add, as are the regional events where we've been featured."

Although Capital Introduction is the broker's lowest scoring category, it remains just shy of the threshold for Very Good (6.00 or more), which all other category scores for Cantor exceed. At a question level, it would appear that scores for "Effectiveness in introducing your fund to actively allocating investors" kept this PB from achieving a clean sweep of 6+

Service area

	2016	2015	Difference (2016-15)
Client Service	6.66	6.40	0.26
Operations	6.58	6.52	0.06
Financing and Margining	6.59	6.07	0.52
Securities Lending	6.58	6.12	0.46
Reporting	6.41	6.26	0.15
Technology	6.25	6.13	0.12
Hedge Fund Consulting	6.79	6.16	0.63
Capital Introductions	5.99	5.74	0.25
Value	6.47	6.17	0.30
Reputation	6.61	6.25	0.36

scores. Breaking these results out by client size, it would seem that mid-sized clients are the least enthusiastic in this particular regard.

It is rare for respondents to express satisfaction with fee levels, but criticism in this regard appears mild. "Fees and reports are very clear," says one manager. "Minimum commission level is too high, but competitive with other primes."

Cantor's highest scores at both a question and category level are recorded for Hedge Fund Consulting. Value of advice on business strategy and HR issues receives an almost perfect score. In the area of Securities Lending, protection against buy ins/recalls of borrowed securities scores particularly highly.

We are always looking for potential amber warning lights in service assessments and for Cantor we may have found one in Technology. "Technology seems a bit weak – no net/gross exposure awareness based on portal. Portal is not user friendly," says one client. "Can't see real-time trades through the portal," says another. "That would be nice."

Nevertheless, the PB is generally seen as "Very effective operationally. Everything we could ask for and more!" ●

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	N/A	N/A
Europe ex-UK	1.8	2.9
North America	98.2	97.1
Rest of the World	N/A	N/A
UK	N/A	N/A
By size		
Very Large	11.3	N/A
Large	17.7	8.1
Medium	35.5	13.5
Small	35.5	78.4

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	2.8	2.0
Weight of Responses	1.6	1.2
Anomalous Responses	4.5	4.6
Multi-broker position		% where ranked #1
% of total Single Broker Responses	8.6	
% of total 2 broker responses	2.4	40.0
% of total 3 broker responses	1.2	50.0
% of total 4+ broker responses	0.6	66.7

Citi

Citi's responder profile this year resembles 2015's to a large degree, though with fewer responses coming from continental Europe and more from the UK. There has, however, been a notable increase in very large clients rating the bank. These now account for 63% of responses by weight.

Scores have fallen across all service categories and now sit in a fairly narrow range between 5.01 for Operations and 5.36 for Reputation. The only outlier is Hedge Fund Consulting which records a score of 5.53. This is also the area where Citi comes closest to the global average of 5.79.

Scores do, however, vary significantly by size category. Among both Very Large and Small clients, several service areas score in the Satisfactory range (4.00-4.99). By contrast, those respondents just below the very largest in terms of AuM appear to be the most satisfied with Financing and Margining, Securities Lending, Hedge Fund Consulting and Reputation all scoring above 6.00 (Very Good). It is not clear from the survey results why this should be. Since Citi itself has adopted a passive role in encouraging its clients to participate, it is possible that those rating the bank have chosen to do so as one of several providers. The relatively lower scores may therefore reflect a lack of engagement with the survey process rather than a precise and considered assessment of Citi's capabilities.

Does client comment add any colour to a rather lack lustre set of scores? Observations of Client Service are positive. "Very good across all products," says one large US manager. Another large US manager details contrasting views of aspects of Citi's Operations. After praising one service representative as "gold standard on transfer settlement" and another as "responsive on trade breaks and resolution", the client describes Citi Velocity real-time trade break reporting via the web portal as "second only to Fidelity." However, they continue: "Trade exception processing (short settled trades) is burdensome. Delay in corporate action resolution on straightforward events like cash dividends and lack of transparency on postings and

Service area

	2016	2015	Difference (2016-15)
Client Service	5.10	5.72	-0.62
Operations	5.01	5.63	-0.62
Financing and Margining	5.34	5.79	-0.45
Securities Lending	5.37	5.91	-0.54
Reporting	5.09	5.72	-0.63
Technology	5.03	5.71	-0.68
Hedge Fund Consulting	5.53	5.80	-0.27
Capital Introductions	5.25	5.46	-0.21
Value	5.23	5.85	-0.62
Reputation	5.36	5.92	-0.56

timing of those postings are weaker than other counterparties. Generally last to post non-cash dividend events of all prime brokers."

When it comes to Securities Lending, one manager contrasts the bank's US desk, which it describes as "not as flexible on borrow rates as they should be", with its EMEA counterpart, which, it says, is "best in class versus competitors."

The bank's technology meanwhile is seen as creating a number of pain points for operations by one client who, by contrast, is complimentary about the Citi's Hedge Fund Consulting Services, citing one account manager as "diligent about keeping me updated on the meetings they are doing. It is clear that he is regularly mentioning our funds in meetings with investors when it is appropriate. He has put me in contact with a number of new investors over the past year, which I greatly appreciate."

Another praises "great recent work on investor colour by region. Always available for a call. Proactive."

Overall, no individual flaws gather a critical mass of complaints. While enthusiasm does not shine through in client assessments, most seem broadly satisfied. ●

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	22.1	23.6
Europe ex-UK	2.7	8.2
North America	48.7	49.0
Rest of the World	N/A	3.5
UK	26.5	15.7
By size		
Very Large	63.0	37.5
Large	24.7	24.6
Medium	11.1	30.4
Small	1.2	7.5

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	2.4	4.8
Weight of Responses	2.8	5.3
Anomalous Responses	2.0	1.5
Multi-broker position		% where ranked #1
% of total Single Broker Responses	0.6	
% of total 2 broker responses	0.5	0.0
% of total 3 broker responses	3.0	30.0
% of total 4+ broker responses	4.8	12.0

Cowen Prime Services LLC

The merger challenge

Bringing the business of Concept Capital into the Cowen Prime Services organisation was always going to present challenges. Despite the complementary nature of the businesses any coming together of different organisations is bound to have some issues even when cultures are similar. Given that background, the scores earned by Cowen in the Survey this year should certainly be regarded as generally very good. The firm achieved a normalised average score of better than 6.0 (Very Good) in six of the ten categories covered. With the exception of three areas, scores were close to or in some cases better than those seen in 2015.

The business has a broader offering than Concept could manage on its own. However it remains heavily concentrated in the US and two-thirds of its responses by weight were in the category of Small clients. This is almost unchanged from 2015. Undoubtedly having a more restricted set of service requirements, coupled with a very clear geographic focus, makes delivery of quality services more straightforward. Nonetheless Cowen scored well compared with other firms who enjoy similar advantages in terms of customer 'demographics'. Interestingly when asked to consider the particular strengths of the Cowen offering the process of trading was mentioned more frequently than any other aspect of service. Client comments echo the impact of Client Service. One client noted that, "Cowen has given us top notch, attentive customer service since day one." This kind of ringing endorsement was common, though there were one or two less enthusiastic statements around the depth of quality personnel.

In terms of areas where clients are looking for improvement, Technology stood out as being the area most frequently cited. One Small client commented that, "everyone is personable, but the technology isn't at the levels expected." Cowen is investing further in improvements and has been diligent in making clients aware of future plans. One respondent noted, "we would like to see additional improvements to Cowen

Service area

	2016	2015	Difference (2016-15)
Client Service	6.32	6.50	-0.18
Operations	6.42	6.54	-0.12
Financing and Margining	6.28	6.10	0.18
Securities Lending	5.65	5.94	-0.29
Reporting	6.04	6.03	0.01
Technology	5.81	6.27	-0.46
Hedge Fund Consulting	5.83	5.73	0.10
Capital Introductions	3.92	4.61	-0.69
Value	6.19	6.17	0.02
Reputation	6.07	6.48	-0.41

portal. Knowing these are in the works, we look forward to the new features." That kind of comment, coupled with the scores awarded suggest that clients are certainly willing to give Cowen an opportunity to perform and no doubt its excellence in core Operations, Reporting and Financing help provide support.

Reputational effect

One area of scoring, Reputation, saw a marked decline in scores, down from 6.48 to 6.07. This probably results from a merger with a business that was perhaps less well known to some Concept or Cowen clients. The decline in scores reflects the fact that fewer clients offered a score of 7.0 (Excellent) in 2016 than in 2015. That suggests that the situation is not a serious issue but rather something that needs to be managed continuously. Scores for Capital Introduction remained low, reflecting the limited number of responses and a sense that there is no formal offering of that capability. Overall as a result of bringing Concept Capital into its business, Cowen is now positioned to broaden and deepen its relationships with clients. Achieving this while at the same time maintaining standards may not be easy, but it would be very worthwhile. ●

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	N/A	N/A
Europe ex-UK	N/A	N/A
North America	100.0	96.2
Rest of the World	N/A	N/A
UK	N/A	3.8
By size		
Very Large	N/A	N/A
Large	4.8	N/A
Medium	29.0	33.3
Small	66.1	66.7

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	3.8	1.8
Weight of Responses	2.3	0.9
Anomalous Responses	4.3	2.2
Multi-broker position		% where ranked #1
% of total Single Broker Responses	15.6	
% of total 2 broker responses	1.7	71.4
% of total 3 broker responses	0.3	100.0
% of total 4+ broker responses	0.2	0.0

Credit Suisse

Credit Suisse scores were down over the year, in line with overall survey averages. It's scores now cluster around the mid-fives with the exception of Capital Introduction, which has seen the largest relative fall and is now only in Satisfactory territory (4.00-4.99).

As with most other large prime brokers assessed in the survey, Credit Suisse has seen a large relative increase of Very Large clients within its responder base. There is not, however, a significant difference in score awarded by this category compared to smaller clients. Indeed, the lowest scores come from mid-tier clients.

There are also no discernible scoring patterns by location of respondent though there are one or two outliers from this perspective. Clients in Europe and UK appear to rate Credit Suisse highly for Securities Lending (6.00 and 6.22 respectively). The latter also appear impressed by the bank's Hedge Fund Consulting Services. At the other end of the scale, Capital Introduction scores relatively low among North American and Asian clients (4.14 and 4.52 respectively).

Client comments are scarce, but, on the whole, mildly supporting. "Credit Suisse is really our second broker but given the minimum commission we paid we actually got excellent coverage," says one small UK client. Concerning Value, one somewhat larger US manager muses, "This is always a little tough to figure out, but I think it's getting better."

One client praises the talent within the firm, but laments that, "They don't act as a team."

Another reserves judgment, owing to changes in the bank's personnel: "CS claims to have the commitment to PB and we think that they do, but we have some concern about their new management and are interested in seeing what happens in the near future."

In the area of Technology, one respondent goes into some detail: "ADR fee reporting on statements lacks transparency on details of postings. Dividend reclass reporting is less detailed than others prime brokers (although greatly improved year

Service area

	2016	2015	Difference (2016-15)
Client Service	5.42	5.71	-0.29
Operations	5.38	5.66	-0.28
Financing and Margining	5.43	5.64	-0.21
Securities Lending	5.57	5.86	-0.29
Reporting	5.46	5.77	-0.31
Technology	5.32	5.65	-0.33
Hedge Fund Consulting	5.43	5.59	-0.16
Capital Introductions	4.44	5.01	-0.57
Value	5.38	5.63	-0.25
Reputation	5.32	5.67	-0.35

over year). Inability to prevent CS bond and repo desks from booking directly to account creates settlement noise that should be easily avoidable. PB online portal is easy to use – activity reporting, breaks, fails and corporate actions."

Users of Credit Suisse's multi-asset servicing capability are the most complimentary. "A strong platform, although maybe not as smooth as others," says one small manager. "Has a full integration platform but we have not used it to its fullest yet," notes another.

It would seem that some clients recognise that not all service impediments are within the individual provider's control. "CS has done a good job of servicing us. There are no instances of where CS does not perform well," it comments. It adds, however, that. "CS has been constrained by certain regulatory requirements, so we are working with them to try to continue mutually beneficial asset ratio levels."

At an individual question level, the bank's highest scores are for protection against buy ins/recalls of borrowed securities (5.80) and overall satisfaction with Hedge Fund Consulting Services (5.71). Effectiveness in introducing funds to actively allocating investors scores lowest. ●

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	26.9	17.9
Europe ex-UK	5.5	6.4
North America	52.2	55.8
Rest of the World	N/A	1.0
UK	15.4	19.0
By size		
Very Large	58.4	33.0
Large	29.7	31.2
Medium	9.3	30.3
Small	2.5	5.5

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	4.2	5.4
Weight of Responses	4.8	6.2
Anomalous Responses	5.4	2.2
Multi-broker position		% where ranked #1
% of total Single Broker Responses	0.0	
% of total 2 broker responses	3.2	7.7
% of total 3 broker responses	4.0	30.8
% of total 4+ broker responses	8.4	15.9

Deutsche Bank

Maintaining high standards

Deutsche Bank produced another very strong performance in the 2016 Survey. Compared with previous years the importance of Small and Medium clients was much reduced, accounting for only 20% of total weighted responses, against 36% a year ago. In addition there was a greater focus on responses from Asian clients as opposed to those in North America. The former accounted for almost double the level of a year ago, while the latter represented 40% compared with more than half in 2015. Given the impact of these trends, and the general move to lower scoring, a decline in Deutsche scores over the year would be expected. While scores are marginally lower in absolute terms the relative competitive position of Deutsche is stronger than in 2015. There was a decline in Value Delivered (down 0.31). No comments were offered by way of explanation, except a suggestion that charges associated with a variety of swaps were high.

Lending prowess

The area that received the highest scores was once again Securities Lending. One Australian client indicated that the Deutsche desk in Sydney had been very helpful and effective. Another praised the US desk which was seen as being especially strong and having the “best hard to borrow capability among all prime brokers in the US market.” The ability to service clients globally is one factor that continues to allow Deutsche to stand out in terms of its appeal to the very largest hedge funds. Given that these accounted for nearly half of all responses by weight, this is especially important. Securities Lending was an area of outperformance for Deutsche Bank in virtually every subset and country that it operated within, even those where overall scores were not as strong. Given the continuing evolution of the market, having a strong stand-out area of capability is important for competitive success. Deutsche’s commitment to financing and improving technology are paying off in the market.

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	38.0	19.4
Europe ex-UK	1.0	7.3
North America	41.4	51.3
Rest of the World	3.3	3.2
UK	16.3	18.8
	Responses % by weight 2016	Responses % by weight 2015
By size		
Very Large	45.6	28.8
Large	34.4	34.9
Medium	14.4	26.2
Small	5.6	10.0

Service area

	2016	2015	Difference (2016-15)
Client Service	5.95	5.95	0.00
Operations	5.89	5.89	0.00
Financing and Margining	5.76	5.90	-0.14
Securities Lending	6.13	6.14	-0.01
Reporting	5.76	5.89	-0.13
Technology	5.86	5.89	-0.03
Hedge Fund Consulting	5.85	5.80	0.05
Capital Introductions	5.82	5.40	0.42
Value	5.78	6.09	-0.31
Reputation	5.77	5.95	-0.18

On-going focus

One other area of significant progress is Capital Introduction. 2015 saw a sharp decline in scores in this area. However this year saw the biggest gain in scores, up by 0.42 points to a very healthy 5.82. This was one of the highest scores seen by any provider. One client commented that Deutsche, “excels at market colour – annual investor sentiment survey as well as monthly trends.” Another noted that, “we appreciate being included in their main events and some people on the team have made some great introductions.” Deutsche has more closely integrated Capital Introduction activity within the business over the last year. It is clear that the bank is delivering more effectively in this area, in ways that clients genuinely seem to appreciate.

One area where Deutsche might want to focus is how it can move to the number one position in situations where its clients are using multiple brokers. Compared with both Morgan Stanley and Goldman Sachs, Deutsche does not enjoy the number one position as much as it could, in situations where multiple prime brokers are being used. Given the scores it is well positioned to further improve its position with major clients in the months ahead. ●

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	5.8	9.5
Weight of Responses	6.4	9.8
Anomalous Responses	2.7	13.6
	Responses % by weight 2016	% where ranked #1
Multi-broker position		
% of total Single Broker Responses	4.3	
% of total 2 broker responses	5.4	27.3
% of total 3 broker responses	6.7	22.7
% of total 4+ broker responses	7.1	13.5

Goldman Sachs

Another strong performance

Although scores in 2016 showed a slight decline compared with a year ago, this was in-line with the overall Survey outcome. As a result Goldman Sachs cemented its position as one of an ever decreasing number of genuinely global prime broker businesses. This year saw a far higher proportion of Goldman responses from the Very Large client group who offered generally lower scores than others. A doubling of their importance within the Goldman response cohort was sufficient to account for the decline in scores in seven of the ten categories. This was also the group that probably has the highest regard for Goldman services. The firm was able to beat the average score from these clients in all ten of the categories covered, an exceptional achievement.

As was the case in 2015, Goldman saw its best scores for Reputation. This was the only area where its score bettered 6.0 (Very Good). However other scores were very consistent. Aside from Financing and Capital introduction, all scores were better than 5.90 which suggest a very solid level of consistency across what is a global and demanding client base. The only area where scores were somewhat disappointing was with the Small and Medium sized clients. Here Goldman had only a few categories of outperformance. No doubt this reflects its client focus to some extent.

Consulting and capital introductions

Hedge fund Consulting and Capital Introduction are less important to the larger clients. However they are an integral part of the Goldman offering to a large number, but not all of its clients. This can cause issues for those not included. However, when it is available clients are very appreciative. "Strong team. Excellent annual conference. Targeted introductions. Excellent competitive intelligence," was how one client summed up the service, while another commented that, "when asked Goldman are very helpful."

However, one client clearly felt that they were big enough

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	15.6	14.5
Europe ex-UK	7.2	4.1
North America	52.4	62.9
Rest of the World	1.5	1.8
UK	23.3	16.6
	Responses % by weight 2016	Responses % by weight 2015
By size		
Very Large	42.8	21.9
Large	39.3	40.8
Medium	14.3	31.9
Small	3.7	5.4

Service area

	2016	2015	Difference (2016-15)
Client Service	5.98	5.87	0.11
Operations	5.92	5.90	0.02
Financing and Margining	5.79	5.81	-0.02
Securities Lending	5.94	5.95	-0.01
Reporting	5.92	5.96	-0.04
Technology	5.91	5.97	-0.06
Hedge Fund Consulting	5.98	5.94	0.04
Capital Introductions	5.49	5.50	-0.01
Value	5.75	5.82	-0.07
Reputation	6.10	6.17	-0.07

to be included in the programme and were unhappy that they were not given access. This accounted for a relatively low score from them, and some other clients like them. As a result the average score was 5.49. Virtually unchanged from a year ago and better than the Survey average this was still the weakest score of the ten categories. A similar story is reflected in scores for Consulting. Once again the Goldman score was well ahead of the Survey average and in this case marginally better than in 2015 and much stronger overall. Goldman also attracted a much stronger response rate than the Survey. One client noted Goldman's "excellent knowledge of industry – they give great advice" while another commented favourably on events.

The ancillary services should not overshadow what was also an excellent year in terms of core services and Reporting. For example, the latter was the most mentioned strength of the Goldman service. It is clear that the bank is maintaining their commitment to value added services on top of very strong core competency. In a continuously changing market Goldman seems certain to continue to grow its business successfully and selectively in the year ahead. ●

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	10.3	10.1
Weight of Responses	11.3	10.5
Anomalous Responses	7.0	6.8
	Responses % by weight 2016	% where ranked #1
Multi-broker position		
% of total Single Broker Responses	2.3	
% of total 2 broker responses	14.1	53.4
% of total 3 broker responses	14.6	37.5
% of total 4+ broker responses	11.5	35.0

HSBC

Focus

HSBC has developed its prime broker business since the financial crisis with an emphasis on a focused approach to client acquisition. Not for them a scattergun approach of seeking mandates regardless, but rather an effort to work with specific clients who can benefit most from the strengths that HSBC has to offer. These include, based on client responses, the ability to provide global coverage and operations in many emerging markets, as well as a level of commitment and scale of business that allows for clients to be confident about future direction. As one client commented, “we believe that HSBC is a strong brand name and this aids their reputation as a prime broker.”

HSBC is particularly keen to develop relationships with larger hedge funds and this is reflected in the responses received. Over 80% of responses by weight were from Large and Very Large clients, up from an already impressive 75% in 2015. Whereas HSBC accounted for only 1.2% (down from 3.8%) of responses from individuals evaluating a single prime broker, it represented 4.0% (up from 2.5%) of those using four or more prime brokers. It also seems to be making progress to becoming the number one prime broker among these target names. Understandably HSBC responses have a greater focus on Asian clients than most others, and a much lower proportion from North American based clients. This was even more noticeable in 2016. One-third of respondents had an emerging markets investment strategy, but interestingly nearly 40% were investing in fixed income. The most popular strategy among HSBC clients was equity long/short at around 75%.

Continuous progress

Given its determination to maintain focus, HSBC is steadily broadening the scope and geographic reach for its product. One client commented favourably that, “improvements have been made throughout the year. It is becoming much better with US self clearing added this year. Harmony CFD has further

Service area

	2016	2015	Difference (2016-15)
Client Service	5.57	5.85	-0.28
Operations	5.42	5.77	-0.35
Financing and Margining	5.73	5.68	0.05
Securities Lending	5.99	5.85	0.14
Reporting	5.68	5.63	0.05
Technology	5.54	5.49	0.05
Hedge Fund Consulting	4.75	5.18	-0.43
Capital Introductions	3.48*	3.48*	N/A
Value	5.67	5.88	-0.21
Reputation	5.73	5.67	0.06

*see write-up

improved work flow.” One area that the bank has resisted pressure to develop is Capital Introduction. Given its target clients this strategy makes sense, but some clients feel that the bank could be successful in that area and would like it to change. HSBC meanwhile believes that satisfying all clients in this area is hard and sees that it has created potential conflicts of interest within some competitors. Clients who would like more support are likely to be disappointed.

In terms of scores, the general trend was positive. Given the nature of clients responding that is an important achievement. However there is still room for further gains. In Reporting for example one client noted that, “reports are easy to use and timely” but another had seen, “EMIR reporting problems” but also accepted that these had been dealt with in a timely manner. Technology, especially the web portal (which is seen as ‘clunky’ by some clients) also offers room for improvement in the eyes of a number of clients. Overall however senior management is seen as very attentive, HSBC offers high professionalism and clients appreciate its networking events. A year of definite progress with surely even more to come. ●

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	34.3	27.7
Europe ex-UK	6.4	4.1
North America	5.0	26.2
Rest of the World	7.9	8.2
UK	39.3	33.7
By size		
Very Large	55.6	47.9
Large	27.3	27.7
Medium	15.0	15.4
Small	2.1	9.0

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	2.6	2.1
Weight of Responses	3.2	2.3
Anomalous Responses	0.2	0.7
Multi-broker position		% where ranked #1
% of total Single Broker Responses	1.2	
% of total 2 broker responses	2.7	45.5
% of total 3 broker responses	2.4	25.0
% of total 4+ broker responses	4.0	19.0

J.P. Morgan

J.P. Morgan has witnessed a further gentle decline in category results this year. All except Reputation are down and its scores now sit in a narrow range from 5.29 for Technology to 5.58 for Reputation. Cap Intro is an outlier at 4.79.

Client Service nevertheless garners much positive comment, particularly regarding individual representatives. “There was a new addition to our client service team... and he is doing quite well. I anticipate giving JPM higher marks on this survey next year based on his effort,” says one respondent. “Continues to be top ranked,” says a large US manager. “Much improved over the last three years,” adds another.

This contrasts with Operations, according to one US manager. “Very helpful rep, but turnover on the ops side is a bit high,” he comments. “Difficult to get useful reports with clear and intelligible data,” laments another. There is, however, praise for individuals from a large US client: “Our new PB settlements contact is very helpful. The ability to early exercise options via the web portal is unique and positive. Existing asset servicing contacts and new asset servicing team members are very responsive and helpful.”

Amongst the top priorities for selection of a PB, J.P. Morgan clients cite competitiveness of financing rates top, followed by counterparty risk considerations. “Excellent repo and derivatives financing; best overall service,” says one enthusiastic client.

Looking at individual question scores, overall reputation of the prime broker is at the top (5.76), followed by efficiency and accuracy of margin management (5.66). In fact, the bulk of survey questions attract scores within the Good range (5.00-5.99). There are, however, a few that may give cause for concern as they are also capabilities where the drop in scores is most noticeable. While they still record results considered Satisfactory, ranging from 4.61 to 4.98, there is, according to these perceptions, clearly room for improvement. In this group are effectiveness in introducing funds to actively allocating investors, overall level of satisfaction with Capital Introduction

Service area

	2016	2015	Difference (2016-15)
Client Service	5.40	5.56	-0.16
Operations	5.38	5.62	-0.24
Financing and Margining	5.43	5.49	-0.06
Securities Lending	5.49	5.68	-0.19
Reporting	5.28	5.42	-0.14
Technology	5.29	5.35	-0.06
Hedge Fund Consulting	5.42	5.48	-0.06
Capital Introductions	4.79	5.21	-0.42
Value	5.35	5.63	-0.28
Reputation	5.58	5.50	0.08

Services, effectiveness in screening investors to identify those appropriate to a fund’s investment strategy.

Client comment on Cap Intro indicates that, while J.P. Morgan is regarded as helpful in bringing funds and potential investors together at a broad level, its activities in this regard could be more targeted. “The 2015 & 2016 European Forum events that we have attended have been beneficial. Trip reports are useful, but improvement is needed on targeted investor introductions,” says one attendee. “They Invited us to their main events,” says another. “We appreciate the proactive emails after trips, and wish there were a few more proactive introductions but in general, pretty good.”

Responses from users of J.P. Morgan’s multi-asset servicing capabilities point to the need for a more coherent overall structure. While one client reports, “full integration for our asset classes’, another describes the bank as “still very fractured; they have a series of silos that do not communicate well with each other.” More damningly, one respondent writes: “Lack of investment in personnel and technology has led to systems that don’t work well with one another and slow responses to customer service requests.” ●

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	4.8	1.6
Europe ex-UK	2.6	8.3
North America	78.1	77.6
Rest of the World	N/A	0.8
UK	14.5	11.6
By size		
Very Large	50.3	29.5
Large	39.3	44.6
Medium	9.4	20.3
Small	1.0	5.6

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	5.8	5.8
Weight of Responses	7.0	6.6
Anomalous Responses	4.3	3.6
Multi-broker position		% where ranked #1
% of total Single Broker Responses	0.0	
% of total 2 broker responses	6.1	44.0
% of total 3 broker responses	6.1	15.0
% of total 4+ broker responses	10.0	19.2

Maxim Group LLC

Designed for now

Maxim Group was founded as recently as 2002 as a boutique investment bank. It aims to provide a full service to a small number of clients in different areas, including prime brokerage. Its focus is on smaller and newer companies seeking to offer capabilities and levels of service that larger firms are unwilling or unable provide to smaller funds.

Clearly in the recent prime broker shake out, firms like Maxim have had a number of benefits and they appear to have succeeded in leveraging these into a fast growing business. They like some others in a similar position saw their responses more than double in number in 2016 compared with a year earlier. While it is true that almost 90% of responses were from Small clients, it was sufficient to allow Maxim to represent more than 2% of the total weight of all responses.

By moving into the business relatively recently Maxim has also been able to develop or use others' systems and structures to optimise the outcome for clients. There simply is very little legacy whether of technology, processes or people. This approach certainly seems to have resonated with clients. Scores are excellent across the board. Even allowing for the limited nature of the product and the small size of most clients, the normalised scores were very high.

Maxim achieved a score better than 6.0 (Very Good) in all ten categories and enjoyed very strong results in both Reputation and Client Service. One client noted that, "I think their commitment to customer service is one of their greatest strengths." Another commented that, "client services are excellent all round." While more than 90% of clients use equity long/short as a strategy, some also operate in fixed income and distressed securities, so Maxim has to be able to support everything. This will inevitably put strains on both people and technology.

What next?

One respondent felt that, "from our perspective they are

Service area

	2016	2015	Difference (2016-15)
Client Service	6.84	N/A	N/A
Operations	6.84	N/A	N/A
Financing and Margining	6.75	N/A	N/A
Securities Lending	6.60	N/A	N/A
Reporting	6.48	N/A	N/A
Technology	6.74	N/A	N/A
Hedge Fund Consulting	6.55	N/A	N/A
Capital Introductions	6.16	N/A	N/A
Value	6.72	N/A	N/A
Reputation	6.85	N/A	N/A

moving in the right direction" as illustrative of the faith that they have that Maxim will continue to deliver excellence even as they grow client numbers and broaden their product offering.

However having reached a stage where they are becoming better known and more sought after, maintaining that level of excellence may be hard. Certainly as this Survey has shown, some others have found it difficult to keep up the very high standards that clients quickly come to expect.

In most cases clients are using Maxim as their only prime broker. While that makes the competitive situation in some ways easier, it does place a large burden on the firm to keep clients happy. What is also not clear at this stage is the extent to which the shake out of business from the traditional major players is now complete. That may depend both on the attitude of the larger banks to smaller, less profitable clients and the ability of firms like Maxim to deliver high levels of performance.

The business appears to have been established on firm foundations so far. Results in 2017 may determine to what extent that excellence can be maintained. ●

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	N/A	N/A
Europe ex-UK	N/A	N/A
North America	100.0	N/A
Rest of the World	N/A	N/A
UK	N/A	N/A
	Responses % by weight 2016	Responses % by weight 2015
By size		
Very Large	N/A	N/A
Large	11.5	N/A
Medium	N/A	N/A
Small	88.5	N/A

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	1.6	N/A
Weight of Responses	2.1	N/A
Anomalous Responses	0.9	N/A
	Responses % by weight 2016	% where ranked #1
Multi-broker position		
% of total Single Broker Responses	6.6	
% of total 2 broker responses	0.5	50.0
% of total 3 broker responses	0.0	N/A
% of total 4+ broker responses	0.2	0.0

Morgan Stanley

Extending the lead

The 2016 Survey results show that Morgan Stanley remains very much at the top of its game for the third year in succession. With rivals struggling with a variety of issues, Morgan Stanley has moved further ahead of the chasing pack. This is summed up by one client who, when commenting on areas for improvement stated, “Nowhere – they could coast for a long time, but they won’t” summing up not only a strong position today, but the commitment to continuous improvement that marks out successful businesses in any field.

Morgan Stanley obtained the highest proportion of responses in all Size categories and outperformed in each. It outperformed in all the countries where it was ranked. In terms of what this means for the business, that is reflected in the fact that Morgan Stanley is the lead prime broker in more than 75% of situations where it is one of two, nearly 50% in situations where it is one of three and in almost one-third of cases where clients are using four or more providers. Quite simply consistent good performance yields a bigger market share of business from clients.

So how is it done?

Clients in seven separate countries highlighted Client Service as a key strength. Morgan Stanley maintains a solid business in each of the five regions included in the Survey. While North American clients form the largest group, there is also a strong position in the UK and Asia. This breadth of business helps maintain high standards globally.

Overall normalised scores for Client Service were 6.20, up 0.08 from 2015. This is supported by Technology, which was mentioned more often as a key strength of Morgan Stanley than for any other provider. Committed people empowered by technology to deliver, is part of what generates the very strong outcomes.

This is further reinforced by Reputation. This was the area where Morgan Stanley recorded its single highest score among

Service area

	2016	2015	Difference (2016-15)
Client Service	6.20	6.12	0.08
Operations	6.12	6.09	0.03
Financing and Margining	5.94	5.81	0.13
Securities Lending	6.05	5.95	0.10
Reporting	6.05	6.00	0.05
Technology	6.22	6.17	0.05
Hedge Fund Consulting	6.13	5.99	0.14
Capital Introductions	5.65	5.68	-0.03
Value	5.99	5.97	0.02
Reputation	6.27	6.25	0.02

the different categories, and again made a marginal gain compared with 2015 when it would have been easy to rest on what were already excellent results.

Core capabilities are also important. Operations, Securities Lending and Reporting all scored better than 6.0 (Very Good) and all posted gains compared with a year ago. The only decline was seen in Capital Introductions, which was also the lowest score achieved. That in turn was consistent with the Survey as a whole. “Excellent operations people. They transition new staff very well” was the conclusion of one client. Another noted, “Being in Australia is a little difficult for timing of global reporting, but MS has an excellent system to deliver them.”

Indeed with as large a group of clients as it has, there are always a few who see room for improvement. In Fixed Income for example performance is not as strong as equities. Some smaller clients would like to see more focus on Capital Introduction and rates and fees are always a source of concern for some. But these are minor quibbles and the level of infrastructure and capability that Morgan Stanley has in place will make them hard to catch. ●

Respondent profile

By geography	Responses % by weight 2016	Responses % by weight 2015
Asia	20.9	21.7
Europe ex-UK	5.8	6.2
North America	48.4	53.5
Rest of the World	1.6	1.3
UK	23.4	17.3

By size	Responses % by weight 2016	Responses % by weight 2015
Very Large	33.9	20.4
Large	39.0	34.6
Medium	19.6	32.5
Small	7.5	12.5

Market position

Market share	Responses % by weight 2016	Responses % by weight 2015
Number of Responses	15.8	14.6
Weight of Responses	15.2	14.0
Anomalous Responses	15.4	13.6

Multi-broker position	Responses % by weight 2016	% where ranked #1
% of total Single Broker Responses	14.1	
% of total 2 broker responses	22.4	78.3
% of total 3 broker responses	18.3	46.7
% of total 4+ broker responses	12.6	31.8

Pershing Prime Services (BNY Mellon)

Surprise package?

Being part of a much larger organisation has many potential benefits. It allows Pershing, as part of BNY Mellon to bring together different components of one of the world's very largest custody banks. These can be offered to its hedge fund clients, who continue, based on responses to the Survey to be dominated by those in the US. However, it can also mean that Pershing is not as visible to clients and prospective clients as it might be if it were independent. As a result its progress in the Survey may be more of a surprise than it should be. As one client commented in the Survey, "Pershing has surprisingly excellent service in every dealing we have with them." This should not really be a surprise given the scores achieved in the Survey in 2015, which were very strong in almost every category.

This year Pershing responses are more heavily weighted towards larger clients. These accounted for almost 90% of the responses by weight compared to around two-thirds in the 2015 Survey. It is therefore not surprising that scores are lower this year. Nonetheless the firm performed very well, with two areas, Client Service and Operations, achieving an average score of better than 6.0 (Very Good). Another client summed this up as, "Pershing Prime Services Team is an absolute pleasure to deal with. Their customer service is one of the best I ever dealt with" while another noted, "Very surprised at the high level of operational efficiency and competence of Pershing's operations." At one level Pershing will be delighted to be recognised for its excellent performance. However it seems clear that it needs to do more to get its message out into the market.

Beyond the basics

Among the larger clients, and those using three or more prime brokers, Pershing's position is not as strong as some competitors. It is counted as the lead prime broker in only around one in six cases and improving its position in these

Service area

	2016	2015	Difference (2016-15)
Client Service	6.19	6.23	-0.04
Operations	6.04	6.20	-0.16
Financing and Margining	5.43	6.02	-0.59
Securities Lending	5.58	5.74	-0.16
Reporting	5.75	5.97	-0.22
Technology	5.39	6.11	-0.72
Hedge Fund Consulting	5.47	6.00	-0.53
Capital Introductions	4.57	5.36	-0.79
Value	5.90	6.11	-0.21
Reputation	5.89	6.22	-0.33

relationships clearly represents an excellent opportunity for overall business growth. To achieve that it will need to progress in terms of Technology and some elements of Reporting. Technology scores were well down on 2015 levels. As one respondent commented, "when I look at the Prime Broker landscape Pershing need to be expanding the robustness of the platform in regards to more complex services (ex. cross-margining, derivatives, etc)." Other responses noted similar opportunities for improvement in Technology. Among clients who identified specific areas for improvement Technology was by some margin the most mentioned area. Coupled with the fact that scores here were ahead of only Capital Introduction, the lowest scoring area in the Survey, this suggests that Technology is the area on which Pershing could most usefully concentrate further investment.

Overall however, Pershing seems to be making excellent progress. One client summarised its view with the quote that "I believe many people in the industry are unaware of just how good Pershing is in prime brokerage, but I expect their reputation will rapidly rise." Hopefully the 2017 Survey will show less surprise and even more appreciation. ●

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	3.4	N/A
Europe ex-UK	3.4	N/A
North America	93.2	98.2
Rest of the World	N/A	N/A
UK	N/A	1.8
By size		
Very Large	53.4	46.5
Large	35.2	19.9
Medium	6.8	21.1
Small	4.5	12.5

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	3.5	2.5
Weight of Responses	3.7	2.4
Anomalous Responses	8.6	4.1
Multi-broker position		% where ranked #1
% of total Single Broker Responses	5.8	
% of total 2 broker responses	3.7	60.0
% of total 3 broker responses	2.1	14.3
% of total 4+ broker responses	3.1	18.8

Scotiabank

Canadian number one

Scotiabank responses were dominated by clients in Canada. After fifteen years of steady progress in Canada, the US and overseas in London, the bank has moved to a position where, in terms of Survey responses it achieved the leading position among Canadian providers. Its reputation has been built on excellence in Client Service and core operations. This is backed by a solid reputation, both in terms of the bank's capital position and its role in the Canadian market generally, including prime broker services.

Average scores from Canadian clients were well down compared with the Survey as a whole. While Scotiabank overall scores was also marginally behind the global average it was well ahead of the average from Canadian clients. The best scores, as well as most favourable comments, came in the area of Client Service. The score of 6.35 was exceptional and even improved on the score seen in 2015. Client comments received include, "our contact at Scotia understands our business and has done an exceptional job on the client service side" and when turnover occurs one client noted that each new individual is knowledgeable and able to respond effectively. In terms of operations there were fewer direct comments but an average score of 6.11, up from 6.05 a year ago, speaks for itself.

As with other providers, the breakdown of responses by size was different this year for Scotiabank, with a far higher proportion of scores accounted for by demanding Very Large clients. Although not among the ten largest brokers for this client group, Scotiabank scores were strong and outperformed the average for that group. As might be expected Scotiabank was the largest prime broker for Canadian respondents, based on the weight of responses received.

Where next?

Scotiabank has built an effective and successful business from its Canadian base. However, it is not clear where it can move

Respondent profile

By geography	Responses % by weight 2016	Responses % by weight 2015
Asia	N/A	N/A
Europe ex-UK	N/A	N/A
North America	95.0	87.8
Rest of the World	N/A	N/A
UK	5.0	12.2

By size	Responses % by weight 2016	Responses % by weight 2015
Very Large	47.9	28.0
Large	26.4	17.1
Medium	20.0	43.9
Small	5.7	11.0

Service area

	2016	2015	Difference (2016-15)
Client Service	6.35	6.28	0.07
Operations	6.11	6.05	0.06
Financing and Margining	5.85	6.18	-0.33
Securities Lending	5.90	5.91	-0.01
Reporting	5.49	5.83	-0.34
Technology	5.61	5.98	-0.37
Hedge Fund Consulting	5.46	5.90	-0.44
Capital Introductions	4.86	4.92	-0.06
Value	5.94	6.00	-0.06
Reputation	6.09	6.09	0.00

next in terms of business growth. Despite ongoing investment in Technology that aspect of service still saw scores decline. At 5.61 they were well behind the best scoring parts of the Scotiabank service and markedly lower than in 2015. Indeed Technology remains the area most widely identified by clients in terms of areas for improvement. Those comments were mainly from Small and Medium clients in terms of AuM. Even so there still seems to be more work that could be done. The same seems to be the case with Consulting and Capital Introduction.

On the latter very few clients gave a score. Among comments was one client who said, "If asked they will provide assistance with potential investors but infrequent pro-active from Scotia side."

Based on the scores from Canadian responses generally, it would appear that a relative lack of competition compared with the US is not helping the development of services. The much smaller size of the market is no doubt a factor. What this seems to imply is that while there is no doubt that Scotiabank is making good progress, it will find it tougher to grow going forward. ●

Market position

Market share	Responses % by weight 2016	Responses % by weight 2015
Number of Responses	2.7	1.5
Weight of Responses	2.9	1.4
Anomalous Responses	1.4	0.2

Multi-broker position	Responses % by weight 2016	% where ranked #1
% of total Single Broker Responses	4.3	
% of total 2 broker responses	2.2	44.4
% of total 3 broker responses	1.8	33.3
% of total 4+ broker responses	2.9	18.8

Societe Generale Prime Services

Steady progress

At the time of the 2015 Survey SocGen was still working to complete its organisation and capabilities following the full integration of Newedge. Needless to say that process is complete and the bank can now offer a full service, multi-asset class capability through both physical and synthetic products. SocGen remains best known for the latter, with derivatives being at the core of many of its client relationships. The Survey in 2016 saw SocGen receive most of its responses from North American and UK based clients. The number of European responses was lower and, given its strengths in that region, this may have had an impact on results.

Scores however showed solid progress compared to a year ago, with some important positives. In four categories scores were slightly lower. This was in line with the overall trend in the Survey. However in the other six areas SocGen scored noticeably better than a year ago. Scores were up by almost a full point in Hedge Fund Consulting and Capital Introduction and very good gains were also noted in Securities Lending and Financing. All of these were focal points of the planned development of SocGen capabilities and the firm will be encouraged by its progress. One client noted, “we receive excellent proactive coverage from the swap desk at SocGen.” More generally SocGen received a much higher proportion of 6.0 (Very good) and better scores from clients this year. It would suggest that in 2015 clients were reserving judgment on how the integration process would work. 2016 results imply that overall clients like what they see in terms of both products and levels of service.

Extra capabilities

In general within the Survey there were far fewer responses from clients concerning Capital Introduction and Consulting. That was true for SocGen as well. However, where they were rated the firm scored particularly well, in particular on the question of the ability to provide usable information and

Service area

	2016	2015	Difference (2016-15)
Client Service	5.93	5.85	0.08
Operations	5.62	5.75	-0.13
Financing and Margining	5.85	5.50	0.35
Securities Lending	5.70	4.98	0.72
Reporting	5.78	5.67	0.11
Technology	5.51	5.61	-0.10
Hedge Fund Consulting	6.15	5.23	0.92
Capital Introductions	5.96	4.98	0.98
Value	5.71	5.81	-0.10
Reputation	5.67	5.86	-0.19

actionable guidance on adapting to evolving capital rules. Given its expertise in derivatives, this level of scoring is not necessarily a surprise. However it is good that client perception supports SocGen’s ambition to be supportive to clients in these areas.

The firm also performed well in Client Service, pushing scores very close to 6.0 overall and beating that standard in terms of the Proactivity of Client Service Personnel. One client specifically commented, “our client service reps are excellent.” Given the growing importance of this aspect of service, these kinds of comments and scores are encouraging.

There are however two areas of caution. First SocGen scores from North American clients were well behind those in the UK and Asia. Second scores for Reputation were lower and it is clear that there remain concerns on the part of a few clients concerning commitment, and specifically capital commitment to the business. Elimination of these concerns should be a priority focus in the coming year. SocGen now has an opportunity to communicate its message effectively into the marketplace. After spending time and effort sorting out its different businesses and brands, it would be disappointing if the external perception failed to keep pace. ●

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	19.7	13.2
Europe ex-UK	6.1	26.5
North America	42.4	29.2
Rest of the World	N/A	4.9
UK	31.8	26.2
By size		
Very Large	45.5	22.8
Large	18.2	17.8
Medium	27.3	44.3
Small	9.1	15.1

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	1.4	3.1
Weight of Responses	1.4	2.9
Anomalous Responses	0.5	2.2
Multi-broker position		% where ranked #1
% of total Single Broker Responses	1.2	
% of total 2 broker responses	1.2	100.0
% of total 3 broker responses	1.2	0.0
% of total 4+ broker responses	1.9	10.0

UBS

UBS follows many of its large peers in recording a decline in scores by category across the board. Capital Introduction has now dropped down to Satisfactory, but all other service areas remain well within the Good range, from 5.55 for operations up to 5.70 for Reputation.

At a question level, UBS' highest score is for stability of client service staffing. According to one manager, the bank has provided "solid support" over the past year, though another suggests that the effectiveness of client service can be limited by operational inadequacies. "Client service often seems frustrated that what they know clients expect – and what should be the desired behaviour of the operational platform – fails too frequently," it notes.

As for Operations itself, one large US client describes the UBS back and middle office as understaffed. A UK counterpart points to "some settlement issues occasionally," though adding, "very prompt on corporate actions bookings."

Though Reporting as a whole scores reasonably well, a relatively low score has accrued to reporting of where assets are being held and where they have been rehypothecated. It appears, however, that investments in client facing technology by UBS are starting to feed through to the customer experience.

"The new NEO portal had led to increased ease of access to reporting," says one manager, while another confirms that, "Neo has led to improvements in the level of reporting and depth we can view." A Very Large UK manager, however, points to "EMIR reporting issues" that are "taking long time to resolve."

A broad range of strategies is in use by managers rating UBS. In addition to the 79% engaged in Equity long/short, Fixed Income and Event-driven strategies are cited by 30% each and Macro by 23%. Nearly all other strategies are represented, if at lower levels.

Significant comment is provided by users of the bank's multi-asset servicing capabilities. One Asia-based client suggests that,

Service area

	2016	2015	Difference (2016-15)
Client Service	5.61	5.84	-0.23
Operations	5.55	5.78	-0.23
Financing and Margining	5.59	5.55	0.04
Securities Lending	5.56	5.71	-0.15
Reporting	5.60	5.65	-0.05
Technology	5.65	5.71	-0.06
Hedge Fund Consulting	5.66	5.63	0.03
Capital Introductions	5.05	5.49	-0.44
Value	5.62	5.71	-0.09
Reputation	5.70	5.65	0.05

"UBS has eaten some humble pie in recent years and is earnest in trying to service across all asset classes. Their electronic bond trading platform is the best on the street." One mid-sized UK manager is happy that: "UBS is able to offer a good level of service across all our asset classes." A smaller peer praises what it describes as an "excellent and classy set-up."

In terms of geographical distribution, UBS' responder base has a similar profile to 2015, though with a shift from US to UK in terms of responses by weight. Continental European clients appear the most impressed with the service they receive, rating Technology, Hedge Fund Consulting Services and Reputation as Very Good (6.00-6.99). UK respondents are responsible for UBS' lowest category score (Cap Intro), though the harshest markers generally appear to be based in Asia.

Some 48% of responses by weight for UBS come from Very Large clients, up from 26% last year. Apart from Cap Intro, considered merely Satisfactory, this client segment rates all other service areas in the low-to-mid fives. Though one client points to UBS' "strong brand with a long history as a PB", the bank does not stand out this year as either falling behind or pulling away from the pack. ●

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	21.3	23.4
Europe ex-UK	9.8	7.7
North America	33.6	48.5
Rest of the World	1.7	1.0
UK	33.6	19.4
By size		
Very Large	47.7	25.7
Large	33.6	39.7
Medium	14.1	28.7
Small	4.7	6.0

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses		5.6
Weight of Responses		6.2
Anomalous Responses		3.9
Multi-broker position		% where ranked #1
% of total Single Broker Responses		
% of total 2 broker responses		
% of total 3 broker responses		
% of total 4+ broker responses		

Wells Fargo Prime Services

New but established

Wells Fargo Prime Services is new to the Survey in terms of coverage, but not to the business. Since starting with its acquisition of Merlin in 2012, Wells Fargo has devoted considerable time and resources to growing this activity. In 2016 this was reflected for the first time in terms of the number and size of responses received by the Survey covering the firm's services.

Based on the scores in 2016 it is easy to see why the business has been successful. In eight out of ten categories, the score was better than 6.0 (Very Good). Excellent scores were noted in Client Service and perhaps more importantly in Reputation. The latter is hard to build in the prime broker business. Many of the dominant participants have been in the business for decades. To score as well as it did this early in its evolution is a very strong positive statement about the way clients feel about the services and the institution.

Demonstrating capability

In terms of specific strengths, four out of five respondents cited Client Service, though the firm also got credit from some clients for its balance sheet availability. Client comments were uniformly positive. They included "WFPS does a truly excellent job and is a very good partner of our firm. Also as comfortable with their firm as I can be" from a Medium sized client. In addition various respondents who have a shorter term relationship praised the "outstanding client service" and "excellent sales and integration team".

In terms of Operations clients noted that Wells Fargo is still expanding its global reach as well as further developing its platform. Obviously in both cases the approach needs to be mindful of both the client demand and the need to maintain the high standards. An example is that one client noted that Wells Fargo has, "limited access to international stocks" in its securities lending service, but this is not an area to be entered into lightly.

Respondent profile

	Responses % by weight 2016	Responses % by weight 2015
By geography		
Asia	N/A	N/A
Europe ex-UK	N/A	N/A
North America	100.0	N/A
Rest of the World	N/A	N/A
UK	N/A	N/A
By size		
Very Large	42.7	N/A
Large	30.1	N/A
Medium	23.8	N/A
Small	3.5	N/A

Service area

	2016	2015	Difference (2016-15)
Client Service	6.34	N/A	N/A
Operations	6.19	N/A	N/A
Financing and Margining	6.07	N/A	N/A
Securities Lending	6.06	N/A	N/A
Reporting	6.29	N/A	N/A
Technology	6.08	N/A	N/A
Hedge Fund Consulting	5.92	N/A	N/A
Capital Introductions	5.12	N/A	N/A
Value	6.17	N/A	N/A
Reputation	6.29	N/A	N/A

Both Technology and Reporting are generally seen as strong. Clients praised the responsiveness in developing new reports and the flexibility around the overall process. However some reservations were expressed about the scalability of the platform in an environment of rapid growth.

Wells Fargo offers the ability for executives from funds to meet together at specific events and this appears to be well received by their clients. Although Capital Introduction features as a core aspect of service, scores were lower and there were fewer responses and comments.

At this stage there may be more work to be done, especially with new funds coming to Wells Fargo as their lead, or indeed only prime broker.

It is interesting to note that Wells Fargo is making progress with larger established funds as well as start-ups. Delivering service sufficient to get the level of scores they have, from this kind of demanding client, is testament to the capabilities now offered. With a solid reputation, strong capital backing and excellent core performance Wells Fargo is well positioned to become a much greater force in the business in the future. ●

Market position

	Responses % by weight 2016	Responses % by weight 2015
Market share		
Number of Responses	3.0	N/A
Weight of Responses	3.2	N/A
Anomalous Responses	4.1	N/A
Multi-broker position		% where ranked #1
% of total Single Broker Responses	3.5	
% of total 2 broker responses	4.1	52.9
% of total 3 broker responses	1.8	50.0
% of total 4+ broker responses	2.9	26.7

Fidelity Prime Services

Fidelity has retained an excellent score for Reputation at 6.15, though other category scores are down by between 10 and 48 basis points.

The vast bulk of responses it receives this year are from North American clients with one or two from the UK. Almost 90% of these are engaged in Equity long/short strategies, followed by Distressed Securities and Fixed Income (roughly 30% apiece). Client comment suggests niche expertise. “Good based on limited portfolio,” says one manager. Others point to “really good coverage, but only for equity PB” and “solid coverage for single product.”

While client comments are less numerous than for some of the larger PBs, Operations and Capital Introduction Services are singled out as strong points. “Live breaks report on the web is gold standard,” says one manager, though adding that: “Corporate action deadlines are too early and extensions always have to be requested.”

On Cap Intro, although Fidelity does not score highly overall in this area, a large US client suggests that, “Fidelity puts together excellent targeted events and has very strong family office relationships.”

It is worth noting that, albeit from a narrower response base than many of the PBs covered in the survey, Fidelity has

Service area	2016	2015	Difference (2016-15)
Client Service	6.15	6.31	-0.16
Operations	5.92	6.20	-0.28
Financing and Margining	5.88	5.92	-0.04
Securities Lending	6.05	6.15	-0.10
Reporting	6.14	6.24	-0.10
Technology	6.05	6.24	-0.19
Hedge Fund Consulting	5.98	6.07	-0.09
Capital Introductions	5.20	5.68	-0.48
Value	5.89	6.37	-0.48
Reputation	6.15	6.15	0.00

recorded scores well in excess of the global average in all areas with the exception of Cap Intro.

At a question level, although Hedge Fund Consulting is not one of Fidelity’s highest scoring service categories, its best result is for its ability to provide usable information and actionable guidance about how to adapt to evolving capital rules, followed by the value of its advice on making funds more attractive to investors. ●

Global Prime Partners Ltd

Global Prime almost doubled the number of responses received in the Survey this year. As a result they accounted for 1.1% of overall responses by weight, up from 0.4% in 2015. While they remain a boutique in terms of scale of business and types of clients, there seems to be no doubt that the model they have created has great potential and is already realising results.

Inevitable problems of growth have emerged to some extent and as a result Global Prime has been unable to maintain the extraordinary level of scores recorded a year ago. Nonetheless scores are generally very good and comments remain strongly favourable.

As one client noted, “Global Prime have maintained an extraordinary standard.” Another suggested that they needed to make sure they could retain the quality of staff and add to it as they grow. Client Service comments included, “GPP is a trusted friend and partner for our business. From senior management all the way down it is a first class operation that is integral to our day to day activity.”

Another simply stated that GPP was the best prime broker they had ever used while a third praised the fantastic service across all areas. Given the fact that many of its clients are small, the value of Capital Introduction is greater for them. As a

Service area	2016	2015	Difference (2016-15)
Client Service	5.95	6.59	-0.64
Operations	5.82	6.34	-0.52
Financing and Margining	5.62	6.18	-0.56
Securities Lending	5.11	5.55	-0.44
Reporting	5.73	6.07	-0.34
Technology	5.61	6.27	-0.66
Hedge Fund Consulting	5.27	5.98	-0.71
Capital Introductions	4.15	5.60	-1.45
Value	5.83	6.25	-0.42
Reputation	5.76	6.52	-0.76

result it is not surprising that this was the area most frequently mentioned as one where clients would like to see progress from GPP.

However for the time being everything is undoubtedly seen as progressing extremely well and GPP appears well set as long as it can maintain the standards it has established to date. However future growth may also depend on market evolution as well as its own capabilities. ●

Jefferies

Jefferies is one of the few prime brokers in this year's survey to buck the downward trend in category scores. Although Client Service, Operations and Financing and Margining do record declines of between 4 and 38 basis points, all other service areas are up – in the case of Hedge Fund Consulting by as much as 65 basis points.

The client base is admittedly constrained. Some 88% of responses come from North American clients and while Medium and Large clients account for almost 70% of these, both Small and Very Large clients are represented.

Overall Jefferies outperforms the global average in all but two areas: Hedge Fund Consulting and Capital Introduction.

At a question level, its best scores are for capabilities relating to Securities Lending. Jefferies scores 6.60 for use of in-house and third party securities lending and 6.56 for its ability to offer less capital-intensive alternatives to stock borrowing. It is seen as least effective in Capital Introduction, notably in its effectiveness in introducing funds to actively allocating investors and in screening investors to identify those appropriate to a particular fund's investment strategy.

Jefferies sees the biggest improvement in the perception of proactivity and effectiveness of client service personnel, which has moved up from 5.59 to an impressive 6.28. Reporting

Service area			
	2016	2015	Difference (2016-15)
Client Service	6.06	6.22	-0.16
Operations	6.15	6.19	-0.04
Financing and Margining	5.78	6.16	-0.38
Securities Lending	6.30	5.52	0.78
Reporting	6.16	6.04	0.12
Technology	6.09	5.91	0.18
Hedge Fund Consulting	5.63	4.98	0.65
Capital Introductions	4.84	4.80	0.04
Value	6.09	6.00	0.09
Reputation	5.96	5.77	0.19

Services as a whole are also well perceived with a notable increase recorded for the ease of integrating data into a client's own systems.

Unfortunately, and perhaps surprisingly, respondents for Jefferies have not chosen to provide colour to any of their ratings with additional explanatory comment. Given the overall results, however, one must assume a broadly satisfied client base. ●

Nomura Securities International

An enigma

Nomura's performance in the Survey has for some years been somewhat inconsistent. This reflects the nature and number of clients choosing to respond. As a result any comparison that seeks to assess progress over time is made more difficult. While Nomura is known as an Asian specialist, this year saw clients from Asia account for only 25% of responses by weight, less than half the proportion that group represented in 2015. As a result responses from US clients dominated. In many cases these were from larger clients who make use of multiple prime brokers of whom Nomura is one. As a result whereas Nomura accounted for 5.3% of respondents using a single prime broker in 2015, this year it was less than 1%. Two-thirds of responses by weight were from Large or Very Large clients. A year ago these accounted for less than one-quarter.

The move away from Asian and Small clients might be expected to lead to lower scores, along with the general trend in the Survey. In fact the opposite was true. Scores were higher in eight of the ten categories and better than 6.0 (Very Good) in six of them. As one of those larger clients noted, "Nomura is not the biggest name but they do have a first class platform."

In common with the Survey as a whole, Nomura received its

Service area			
	2016	2015	Difference (2016-15)
Client Service	6.16	5.98	0.18
Operations	6.03	5.72	0.31
Financing and Margining	6.06	5.59	0.47
Securities Lending	6.15	5.82	0.33
Reporting	6.15	5.60	0.55
Technology	5.98	5.70	0.28
Hedge Fund Consulting	4.69	5.38	-0.69
Capital Introductions	4.41	5.00	-0.59
Value	5.94	5.80	0.14
Reputation	6.05	5.66	0.39

best scores in Client Service with stability among staff achieving the highest individual question score. Asian clients in particular rewarded Nomura with very high scores. Gains were noted in Securities Lending (up 0.33 points) and Financing (up 0.47). One client commented that, "Nomura has excellent securities lending. Quite a pleasant surprise." Overall a somewhat mixed picture, but with potential for gains in the future. The key will be to deliver consistency of performance. ●