

# Smaller volume, stronger flavour

This year's questionnaire, though somewhat abridged from 2018's, still records a wide spread in category scores.

#### Introduction and methodology

The 2019 Prime Brokerage Survey I marks the second year of partnership between AON McLagan Investment Services (McLagan) and Global Custodian (GC) in jointly running the Prime Brokerage Survey as well as the other surveys published by GC. As in 2018, the Prime Brokerage Survey, which was open for submissions between April and July 2019, asked clients to assess the services that they receive from their Prime Brokers. After a major overhaul in 2018, changes to this year's survey were limited. The two most notable changes were the addition of a prime custody section and cuts were made to shorten the length of the questionnaire. We recognise the time demands that hedge fund managers have and the burden that filling in a lengthy questionnaire represents.

This year's survey consisted of 41 questions across 16 service areas (See table). Scores for Future Relationship were not included in the total calculations printed here.

Clients were asked to rate services by stating how much they agreed or disagreed with a statement regarding a service based on a scale of 20 points. For publication, however, results were converted to the seven-point scale (where 1=unacceptable and 7=excellent) familiar to Global Custodian readers. For each service area, respondents were also invited to provide commentary. Respondents were able to offer a single overall assessment of a service area, rather than answering all the questions in a service area, if they so wished.

Tablel 1 lists the average score for each category from highest to lowest. The size

Global Average Scores	
Service area	Global Average
Asset safety	6.34
Prime custody	6.30
Trading and execution	6.00
Stock borrowing and lending	5.88
Fixed income	5.78
Listed derivatives	5.78
Client service	5.77
Consulting	5.76
Foreign exchange prime brokerage	5.75
OTC clearing	5.75
Delta 1, swaps and financing	5.67
Risk management	5.65
Technology	5.55
Operations	5.49
Capital introductions	4.90
TOTAL	5.77

of the spread between these two ratings suggests that most providers are not seen as consistently excellent across the board.

The 2018 survey covered 60 questions across 17 service areas. Cuts to the 2019 questionnaire included the removal of the sections Product Development, and Sales and Marketing, which totalled six questions. Another 26 questions were removed from Capital Introductions, Consulting, Risk Management, Asset Safety, Trading and Execution, Delta 1, Swaps and Financing, Foreign Exchange Prime Brokerage, Fixed Income, OTC Clearing, Listed Derivatives and Future Relationship. An additional two questions were removed from the My Profile portion of the questionnaire and one question was modified. The Prime Custody section included the addition of 15 new questions. A full list of excisions and additions can be found on www.globalcustodian.com.

A total of 746 completed questionnaires were received on behalf of 35 Prime Brokers. In order to receive a write-up in the survey, an administrator needed to receive at least 10 responses. As a result, we were able to provide assessments for 22 separate prime brokers.

The analysis published in this report is based on average scores given by respondents. They are weighted for the size (measured by assets under management, or AuM) and complexity (measured by the number of asset classes and investment strategies pursued) of the respondent.

Scores in any question or service area which attracted less than four responses are excluded from the calculations. The suppression of scores for this reason does not mean the provider does not offer the service in question; it means only that an insufficient number of respondents scored the service to assess its quality with confidence.

We are most grateful to all fund managers who took the time and trouble to complete a respondent questionnaire, as well as to Prime Brokers who encouraged their clients to do so and who completed a provider questionnaire of their own.

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### **ABN Amro Clearing**

**N** o prime broker is as singular as ABN Amro Clearing. One clue is in the name, and it collects easily its best score in its core business of clearing listed derivatives around the world. Because it also clears securities, ABN Amro offers clients pursuing strategies which use both types of instrument the opportunity to trade, clear and settle cash and derivative instruments on a globally integrated basis.

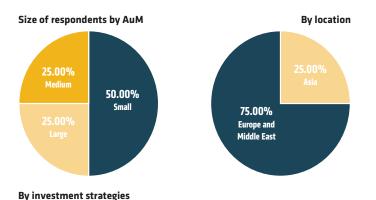
Clearly, as the score for operations indicates, this does not always work as well as ABN Amro intends. "We trade global markets," notes a client. "We want to have the same service across all markets. We have had issues where operational issues take longer to resolve or are ignored completely in Amsterdam because we fall under a branch of APAC, i.e. not a direct client." But a valuable additional benefit of integration is the ability to offset risks in different markets and instruments. The "correlation haircut model" offered by ABN Amro, which aims to save on capital allocations by offsetting correlated products on different exchanges, has certainly impressed one client. "ABN has an excellent margin haircut model, particularly for options (derivatives) positions," he writes. A second respondent is pleased that "ABN finds the right balance between risk management and latency, which allows it to work with latencysensitive clients." Another says simply that "risk management by ABN is probably one of their strongest areas of expertise," while a fourth applauds a "fantastic risk model."

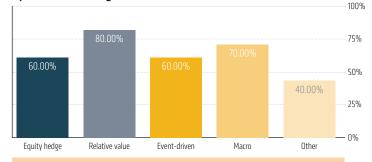
Oddly, the accompanying score for risk management is more downbeat than these comments suggest. The ingenuous observation of a respondent ("In general risk management understands our business") perhaps explains why. Financing, which relies on the calculations of the risk managers to determine the amount of leverage that can be advanced, inevitably attracts a more liberal verdict from its beneficiaries. Even so, the inventory ABN Amro taps to help clients cover the associated short positions is not deep enough for some. "ABN Amro Clearing should seek more size to be competitive in providing access to more stock," writes a user. The detailed scoring suggests easier access to hard-to-borrows would help restore confidence.

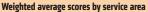
The bank also under-performs in technology. "There needs to be investment in client reporting" is the straightforward advice of one respondent. A second agrees that "the pace of implementing updates and new technologies [must] be increased," and a third respondent endorses this perspective. "Technology is extremely important and ABN Amro Clearing realises this," he writes. "However, the pace at which changes take place may be increased." The bank can nevertheless be pleased at its exceptional score for capital introductions. Though it is not a service ABN Amro sells hard, it has run for many years a well-attended investor forum in Amsterdam at which institutional investors can meet asset managers.

"Fantastic risk model."

Weighted ave	rage scores		
2016	2017	2018	2019
6.03	5.99	5.56	5.16







Service area	Weighted average score	+/- the global average (%)
Capital introductions	6.05	23.47%
Client service	5.56	-3.64%
Consulting	5.48	-4.86%
Operations	3.71	-32.42%
Technology	4.08	-26.49%
Risk management	4.86	-13.98%
Asset safety	6.07	-4.26%
Prime custody	n/a	n/a
Trading and execution	5.57	-7.17%
Delta 1, swaps and financing	5.58	-1.59%
Stock borrowing and lending	4.67	-20.58%
Foreign exchange prime brokerage	4.93	-14.26%
Fixed income	5.38	-6.92%
OTC clearing	5.73	-0.35%
Listed derivatives	6.32	9.34%
Total	5.16	-10.57%

### **Bank of America Merrill Lynch**

This was not a vintage year for BAML. But from this vantage point it looks like a triumph. The bank rises to the average level of 12 months ago in barely one question in three. It does not clear the survey benchmarks in a single service area. Asked whether they will place more business with BAML, or recommend its service to others, respondents offer a distinctly underwhelming verdict.

These are doubtless partly the price exacted by economies, staff turnover and leadership turmoil. Despite all of that, the traditional strengths of the firm do remain discernible. Trading and execution, still a strength last year as well, continues to attract accolades ("Good execution") even though there is no score to match. The same is true of stock borrowing, the field in which the reputation of the firm in prime brokerage once rested, and which attracted an excellent score in 2018. A respondent acknowledges that the BAML inventory can still minimise recalls, but the scores are far below the powerhouse levels the firm took for granted in its best years.

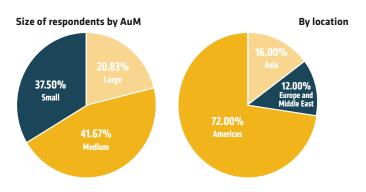
In fact, the scoring overall suggests that it is the Bank of America that impresses clients, not Merrill Lynch. Nobody thinks assets left at BAML are at risk – the bank gets its best average score for asset safety – or that data held in the systems of the bank will be hacked. But, if they take its security for granted, respondents are not impressed by the user-friendliness and functionality of the client-facing technology. A problem last year, technology remains an issue in 2019. One respondent simply repeats the observation of a year ago, describing the BAML client interface as "one of the worst portals in the financial services sector." The accompanying average score does not disagree.

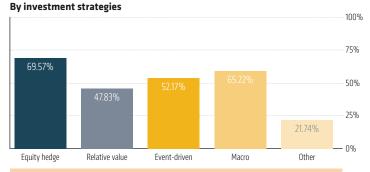
Worse, technology infects attitudes elsewhere. The bank collects easily its best set of scores in prime custody (the Bank of America effect again) but is let down by the quality of its technology. The average score for operations is worse. "Operationally, they are a mess," writes a user of its Delta One trading desk. This assessment is borne out by the scoring of operations in general, though not every client agrees -"Operations services is good," says one – and the assessments of the operational aspects of prime custody are outstanding on the settlement side and good in asset servicing.

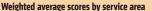
It is a tribute to the client-facing staff, in what are obviously challenging times for the business, that the average score for client service has actually improved in the last 12 months. One respondent says his counterpart at BAML does "an amazing job." Given the circumstances, that verdict is unlikely to be a favour returned. It is almost certainly true.

#### "Operations services is good."

Weighted average scores			
2016	2017	2018	2019
5.63	5.65	5.10	4.52







weighten average scores by service area			
Service area	Weighted average score	+/- the global average (%)	
Capital introductions	4.25	-13.27%	
Client service	4.63	-19.76%	
Consulting	n/a	n/a	
Operations	4.24	-22.77%	
Technology	4.82	-13.15%	
Risk management	4.26	-24.60%	
Asset safety	5.56	-12.30%	
Prime custody	6.44	2.22%	
Trading and execution	4.39	-26.83%	
Delta 1, swaps and financing	4.38	-22.75%	
Stock borrowing and lending	4.54	-22.79%	
Foreign exchange prime brokerage	4.12	-28.35%	
Fixed income	3.82	-33.91%	
OTC clearing	4.11	-28.52%	
Listed derivatives	4.84	-16.26%	
Total	4.52	-21.66%	

### Barclays

The British bank has maintained its commitment to prime brokerage through a challenging year for the hedge fund industry. Dreams of challenging the incumbents remain exactly that but, in terms of revenue, Barclays is now firmly established in the middle ranks of the industry league table. So it is curious that these results smack neither of consistency nor persistence.

Clients clearly have a high opinion of the creditworthiness of the bank. Though it is only single A rated, nobody believes the central banks will ever let it fail. It is equally easy to spot what clients think Barclays is good at. They repeat the verdict of 2018, when the bank top-scores for securities lending. "Borrowings are the most stable at Barclays for hard-to-borrow securities," writes a happy client. That the Barclays of the Martin Taylor era has survived the acquisition of the Lehman equity franchise is evident in a strong showing in fixed income, another area of palpable strength 12 months ago too.

The technology attracts more admirers than it did, and the score would be better still were it not for a lack of conviction about mobile reporting (the Barclays Live app has obviously failed to impress all parts of the client base yet). The assessment of FX prime brokerage, which was disappointing last year, is also much improved. A name-checked individual "does a great job on FX." But the scores in the related field of derivatives, of both the exchange-traded and the cleared OTC variety, have faded sharply by comparison with 2018. So have those for the Delta 1 trading desk and trade execution services. In fact, the average score for trading and execution suggests that this particular group of managers are not users of the "quantitative prime services" offering of the bank, which promises clients low latency direct market access plus integrated financing, reporting and invoicing.

Another area of downward drift lies in back-office operations. "The trade settlement/DTC settlement staff needs to be more responsive to clients," grumbles a respondent. This is an assessment peculiar to smaller clients, who have an equally jaded view of the client service and (more predictably) the ability of the bank to source capital for them to manage. In short, the mismatch of expectations between the bank and its clients is most acute when the managers are running less than \$100 million. Super-serving larger clients will make sense for Barclays in an industry governed by return on assets, as it does for other prime brokers, but is clearly puzzling to smaller managers. The enigmatic verdict of one respondent, asked how he expects his relationship with Barclays to evolve, says as much. "Wish it was more simple," he writes.

#### "Borrowings are the most stable at Barclays for hard-to-borrow securities."

Weighted ave	erage scores			
2016	2017	2018	2019	
5.54	5.43	5.64	5.42	

PROFILE OF RESPONDENTS

Size of respondents by AuM By location 25.00% 66.67% Europe and Medium Middle East 75.00% Americas 8.339 Smal By investment strategies 100% 91.67% 75% 50% 25% Π%

Macro

Other

Equity hedge Relative value Event-driven

Weighten average scores by service area			
Service area	Weighted average score	+/- the global average (%)	
Capital introductions	4.73	-3.47%	
Client service	5.12	-11.27%	
Consulting	n/a	n/a	
Operations	4.93	-10.20%	
Technology	5.26	-5.23%	
Risk management	4.90	-13.27%	
Asset safety	5.94	-6.31%	
Prime custody	n/a	n/a	
Trading and execution	5.42	-9.67%	
Delta 1, swaps and financing	5.00	-11.82%	
Stock borrowing and lending	6.12	4.08%	
Foreign exchange prime brokerage	5.09	-11.48%	
Fixed income	5.93	2.60%	
OTC clearing	5.85	1.74%	
Listed derivatives	3.97	-31.31%	
Total	5.42	-6.07%	

## **BMO Capital Markets**

**B**<sup>MO</sup> is clearly a bank which gets close to its clients. "The high transparency, excellent client service, high responsiveness, and extremely safe financial standing of BMO make this a first choice," writes one of them. "*Ad hoc* requests to the prime brokerage team are handled very quickly and with a high level of care."

The strengths of the bank in trading and execution, securities lending and all sorts of derivatives are obvious in the scores. "BMO has been easy and transparent in our trading and the reporting has been accurate and timely," is how one client describes the execution services. A second applauds "seamless integration with their electronic trading counterparts."

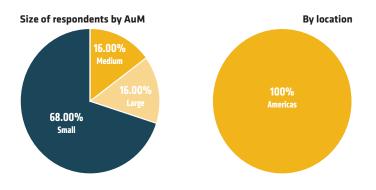
Others offer a reminder of the ability of responsive client service to transform problems into tributes. "Trades where we use BMO as the executing broker have been booked with unfortunate frequency to the wrong account (we have three accounts)," writes one respondent. "Not sure if this is a front/ mid/back-office issue but, when pointed out this is corrected quickly." BMO clearly understands what service means, as a client report of another operational issue in the derivatives markets indicates. "Derivatives clearing can sometimes go through a bit of a hiccup," writes the client. "Not sure if this is a delay on the executing broker giving up the trade or BMO receiving the trade, but this is generally fixed in short order."

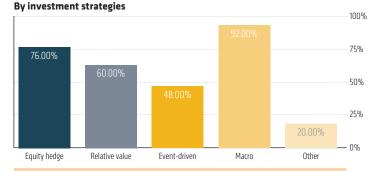
In fact, it is surprising that the client service score, which is down slightly on the excellent performance of 2018, is not higher than it is. "Absolutely puts its clients first and will go to great lengths to support our service needs," says a respondent. "Highly responsive, with a team that enjoys what they do and it shows with the various interactions across the prime brokerage team." The enthusiasm extends to operations ("excellent - very responsive, extremely helpful and easy to deal with"), though the score has dipped a little. Financing, on the other hand, is improved this year. "Extremely transparent on margins, pricing, funding over long term," notes a respondent.

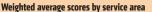
The scoring of technology, on the other hand, remains an issue for a third year in succession. Though never at a worrying level, it does refuse to improve. The call from one client for a "better user manual for the primary log-in site" is not encouraging in this respect. Though he adds that "not all reports get results without explanation as to why results were not generated," a second client insists "reporting is also easy to use and simple to understand." BMO will probably be more disappointed by the score for capital introductions, where its famous quarterly catalogue of opportunities has given the bank a high profile in its home country.

## "Seamless integration with their electronic trading counterparts."

Weighted average sc	ores		
2016	2017	2018	2019
5.74	5.62	5.65	5.68







weighten average scores by service area			
Service area	Weighted average score	+/- the global average (%)	
Capital introductions	5.21	6.33%	
Client service	5.54	-3.99%	
Consulting	5.49	-4.69%	
Operations	4.95	-9.84%	
Technology	5.22	-5.95%	
Risk management	5.48	-3.01%	
Asset safety	6.37	0.47%	
Prime custody	5.29	-16.03%	
Trading and execution	6.38	6.33%	
Delta 1, swaps and financing	5.85	3.17%	
Stock borrowing and lending	5.96	1.36%	
Foreign exchange prime brokerage	5.79	0.70%	
Fixed income	5.74	-0.69%	
OTC clearing	5.73	-0.35%	
Listed derivatives	5.76	-0.35%	
Total	5.68	-1.56%	

### **BNP** Paribas

On a substantial turn-out, clients of the French bank enable it to vault the benchmarks in every service area. The overall outcome is even more spectacular than it was a year ago. Cap intro is the only area ranked less-than-excellent and it is outsourced to a third-party. Even so, it is admired. "Love the team they put together," writes one user. "Very helpful group." True, the BNP Paribas client base is skewed towards smaller funds that judge more generously, but large managers rate the bank almost as highly. Even the less gruntled middling funds still think BNP Paribas lifts the core services above the mediocre. "They have been on the ball since implementation," writes a respondent. "They are more like the old model of PBs where you have a dedicated rep, and they liaise internally rather than making the client do all of the legwork. I like it."

Numerous reps are name-checked and showered with accolades. "She responds promptly to inquiries and requests with thorough and helpful communications," is how one client describes his rep. "In addition to being responsive, she is also pro-active in bringing items to our attention before they become an issue. She is a tremendous help to our team." Even where they find fault, clients are apologetic. "Many firms struggle to efficiently margin a single position that includes being long convertible bonds or shares, short stock and also short calls," writes one searching for collateral economies. But he is not the only client that wants more cross-margining.

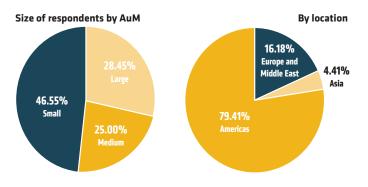
Others detect room for improvement in derivatives. "The processes and systems used by CFD desk seems to be behind the times," reads one comment. Another needs "access to single name clearing as well." Securities lending, by contrast, remains either an unequivocal strength ("Never had a recall") or a model of responsiveness ("Quick to accommodate when possible with regard to pricing and inventory").

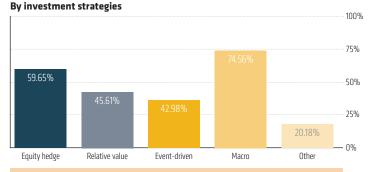
Gripes are sotto voce. "Stability of hard-to-borrows can be better," reads one. Fixed income, a house speciality, continues to earn plaudits. "BNP handles our fixed income trading better than any other broker," writes a client. A second says the bank "make[s] trading this asset class viable due to their invaluable back-end support. They are second to none in terms of middle/ back office and the impact is clear in fixed income trading strategies." There is equivalent praise for execution ("Good EMSX algos with an attentive support group"), financing ("coverage on the swap desk is great") and FX prime brokerage ("great flexible FX PB offering - highly recommended"). If the enthusiasm is overdone, there is no evidence of it here. "If I had the power to award BNP with more business I certainly would," as one client puts it. "I would also recommend BNP's services without hesitation."

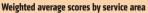
Assuming the deal with Deutsche Bank (see page 18) is succeefully concluded, it will be interesting to see the impact on next year's survey scores.

#### "Love the team they put together."

Weighted average sc	ores		
2016	2017	2018	2019
5.97	6.04	6.04	6.24







weighten average scores by service area			
Service area	Weighted average score	+/- the global average (%)	
Capital introductions	4.98	1.63%	
Client service	6.31	9.36%	
Consulting	n/a	n/a	
Operations	6.21	13.11%	
Technology	5.99	7.93%	
Risk management	6.03	6.73%	
Asset safety	6.56	3.47%	
Prime custody	6.33	0.48%	
Trading and execution	6.44	7.33%	
Delta 1, swaps and financing	6.02	6.17%	
Stock borrowing and lending	6.44	9.52%	
Foreign exchange prime brokerage	6.35	10.43%	
Fixed income	6.43	11.25%	
OTC clearing	6.15	6.96%	
Listed derivatives	6.20	7.27%	
Total	6.24	8.15%	

## **Cantor Fitzgerald**

C antor returns to the survey after a sabbatical that coincided with changes in the leadership of the prime brokerage business of the firm. In terms of scores, the new team do not resume where their predecessors left off, but these averages are probably a sounder assessment of the strengths and weaknesses of the business at this stage of its redevelopment.

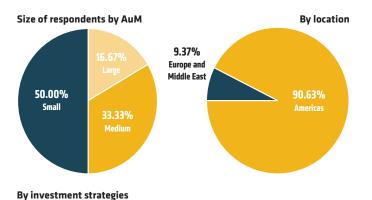
Inevitably, change has delighted some ("Cantors have built strong relationships with our various teams in a short time") but irked others ("There has been a lot of turnover at the prime broker, which is disconcerting. They raised our rates and I did not get the sense that they cared if I was a client"). The score for client service is correspondingly solid rather than spectacular. But the strengths of the firm are visible. Securities lending is the most prominent. "Very strong in stock borrow and loan," writes a client. "Cantor is flexible with pricing, have a strong understanding of the business, and are commercial and creative, able to present and execute on mutually beneficial trade ideas and mixes of business."

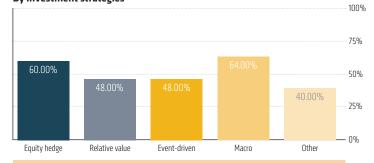
The scoring of fixed income is almost as good. "Fixed income execution and repo are best in class," is the verdict of one manager. A second agrees, name-checking several members of the repo desk for good measure. A third fixed income manager adds that "our account manager works very hard to help handle our trades and clear securities for us."

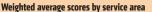
As it happens, operations are the one area where the scores indicate a need for improvement. One respondent has found it "often difficult to get answers on operational issues. The systems/reports used have been difficult to reconcile." A second, who appreciates the quality of trade execution, is frustrated by the accompanying post-trade experience. "Our account manager is very good, but the back-office group cause us several problems on almost a weekly basis." The restrained scoring of cap intro, on the other hand, is out of kilter with the unrestrained enthusiasm of the comments. "The team is great," writes one user of its services. "We have not only gotten a ton of introductions, but they have been high quality introductions and some of them are off-the-run investors that we have never encountered previously. The team has diverse backgrounds, including some former allocators, and they really hustle to help. They also put out nice commentary every week or two. We could not be happier with their help." With plenty of equally flattering comments about cap intro to match, it is clear that Cantor means to grow with its clients, and globally too. Though most survey respondents this year are based in the United States, a head of prime brokerage in Europe is now in place.

#### "Cantor is flexible with pricing, have a strong understanding of the business, and are commercial and creative."

Weighted average sc	ores		
2016	2017	2018	2019
6.49	6.26	n/a	5.58







weighten average stores by service area			
Service area	Weighted average score	+/- the global average (%)	
Capital introductions	5.06	3.27%	
Client service	5.75	-0.35%	
Consulting	n/a	n/a	
Operations	4.91	-10.56%	
Technology	4.58	-17.48%	
Risk management	4.52	-20.00%	
Asset safety	6.46	1.89%	
Prime custody	n/a	n/a	
Trading and execution	5.65	-5.83%	
Delta 1, swaps and financing	5.69	0.35%	
Stock borrowing and lending	6.41	9.01%	
Foreign exchange prime brokerage	n/a	n/a	
Fixed income	6.49	12.28%	
OTC clearing	n/a	n/a	
Listed derivatives	6.20	7.27%	
Total	5.58	-3.29%	

### Citi

The strengths that were evident in the revivified Citi prime brokerage franchise 12 months ago remain robust. The longstanding pre-eminence in securities lending is evident in the score. "Great in US hard-to-borrows," is the succinct verdict of one respondent.

But the bank collects its best score in precisely the areas where it shone less brightly than it expected in 2018 and would most like to be judged today: synthetic and equity financing services. Importantly, Citi also gets better overall scores from managers pursuing investment strategies that use these services. "Good rates overall," as one of them writes.

The outcome in trading and execution is more or less unchanged. One client comment ("Average, get the job done without issues") certainly suggests it is metronomic rather than exciting. The relatively muted assessment of the quality of operations, on the other hand, remains a mystery (it was an issue last year too). "Good systems and technology interface," counters one respondent. Indeed, he has also noticed "capable individuals" in operations.

The bank would say there are even more capable individuals in client-facing roles, so it will be disappointed rather than mystified by the score for client service, since it is an area where the bank has not only hired but invested in structural changes designed to bridge internal silos and enhance cross-selling. The score may reflect the limited number of responses from the largest managers, where every leading prime broker must concentrate its efforts. Some have noticed an improvement anyway. "Excellent team both in the US and locally in Asia," writes one client. "Very helpful in meeting our specific needs and leveraging their local custodial advantage in Japan for us."

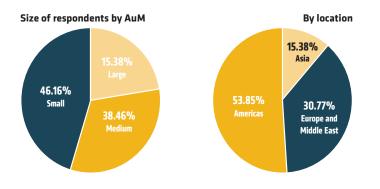
Conversely, the preponderance of capital hungry sub-\$10 billion managers among the respondents helps to explains the softness of the score for cap intro. A client has noticed a "solid team in the US" but Citi has also invested in the service in Europe and Asia. The downbeat rating of FX prime brokerage is explained more easily. A year ago, the bank collected its best score in this area. It is a field in which the bank has long enjoyed a dominant market share, though the business is semidetached from the core prime brokerage franchise. However, the understandable acceleration of the client filtering process occasioned by the loss announced late last year will have dented the average score in 2019.

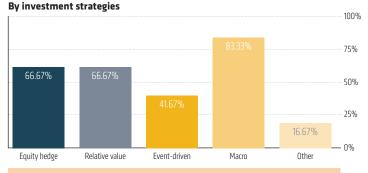
Technology, and the associated field of reporting, has also dipped. A client does say that he would like "easy-to-use management reporting on balances and exposures." Some other weaknesses, such as futures clearing and financing and fixed income financing, are more apparent than real, given the types of hedge fund clients Citi is looking to recruit and the regulatory cost of capital.

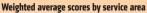
"Great in US hard-to-borrows."

Weighted average scores				
2016	2017	2018	2019	
5.23	5.78	5.61	5.22	

**PROFILE OF RESPONDENTS** 







Weighted average score 4.80 5.22 n/a 4.60 4.72	+/- the global average (%) -2.04% -9.53% n/a -16.21%
4.80 5.22 n/a 4.60	-2.04% -9.53% n/a
5.22 n/a 4.60	-9.53% n/a
n/a 4.60	n/a
4.60	,
	-16.21%
4.72	
	-14.95%
4.68	-17.17%
6.09	-3.94%
n/a	n/a
5.54	-7.67%
6.29	10.93%
6.00	2.04%
5.20	-9.57%
4.09	-29.24%
5.82	1.22%
4.00	-30.80%
5.22	-9.53%
1	5.00 5.20 4.09 5.82 4.00

### **Cowen Prime Services**

It just keeps getting better for Cowen. The overall average is up for a third successive year, from an already high level, and the firm clears the survey benchmarks with ease in all service areas. High scores and flattering comments can be found across trading ideas ("Excellent equity research, quick and excellent service"), execution ("The Cowen outsourced trading desk has been solid and a good partner"), listed derivatives ("Easy to trade listed derivatives with Cowen"), financing ("We did need to set up a TR swap for a non-US client and Cowen was extremely helpful in getting that done quickly"), operations ("We have felt well-supported by the ops team at Cowen") and even asset safety, because assets are held by correspondent clearers such as BNY Mellon-owned Pershing.

"They always make you feel like they really value your business regardless of your current size," writes a client. Certainly, there is ample evidence in the comments that Cowen gets client service right by trying harder to solve down-to-earth issues. "We have had some very unusual problems with OTC stocks that were being `chilled' by DTC," notes one client. "Cowen staff took extraordinary steps to solve the problem."

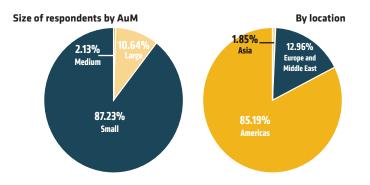
A second client has encountered the problem-solving approach in securities lending. "Transparency on borrow rates was not high for a hard-to-borrow situation and Cowen addressed it by updating [the] client reporting package daily," he writes. A recent start-up explains that "as a smaller fund just starting out, we felt that having a PB that would allow for much more interaction was critical and Jack Seibald and his team have exceeded expectations. They provide options for trading, IT support, service provider interaction and contracting … Cowen's flexibility and focus on building the relationship as opposed to collecting fees creates a true partner environment."

So it is counter-intuitive that client service is one of only three areas in which the overall score is less than excellent. The problem, the details of the scoring suggest, lies in incomplete transparency into costs. "Technology and reporting need to be improved," says a respondent. As another client points out, technology is definitely one field where Cowen does not vet distinguish itself: "Just about all prime brokers could do a better job of maximising Bloomberg with an interface or something. In general, prime brokers are slooooow to update tech, especially software." But it is in the perennially thankless task of cap intro that the firm collects its lowest score. "I was hoping that I would have some interaction with cap intro and possibly some introductions but that has not been the case," laments a client. However, another firm says "Cowen's cap intro team has done a great job for us. We find them to be very pro-active, helpful and communicative."

#### "They always make you feel like they really value your business regardless of your current size."

Weighted average scores				
2016	2017	2018	2019	
5.85	5.89	6.11	6.16	

PROFILE OF RESPONDENTS



 100%

 85.42%

 75%

 50%

 35.42%

 20.83%

 6.25%

 0%

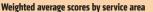
 Equity hedge

 Relative value

 Event-driven

 Macro

 Other



By investment strategies

Weighten average scores by service area			
Service area	Weighted average score	+/- the global average (%)	
Capital introductions	5.27	7.55%	
Client service	5.92	2.60%	
Consulting	5.91	2.60%	
Operations	6.26	14.03%	
Technology	5.86	5.59%	
Risk management	6.18	9.38%	
Asset safety	6.46	1.89%	
Prime custody	n/a	n/a	
Trading and execution	6.43	7.17%	
Delta 1, swaps and financing	6.60	16.40%	
Stock borrowing and lending	6.06	3.06%	
Foreign exchange prime brokerage	n/a	n/a	
Fixed income	6.72	16.26%	
OTC clearing	n/a	n/a	
Listed derivatives	6.61	14.36%	
Total	6.16	6.76%	

### **Goldman Sachs**

Goldman client service is excellent, from their management team down to our daily account rep," writes a happy client. "Tremendous partner." Judging by the average scores, however, not enough happy clients have responded to the survey this year. The overall outcome is down for a third year in succession, and into territory this firm does not usually inhabit. Though the average Asian and European respondent is less happy than their American counterpart, it is not by much. "Client service/ communication leaves a lot to be desired," argues a large American fund manager. The score for client service bears that observation out but in all the core prime brokerage services the averages are at least respectable where they are not impressive, and there are flattering comments to match.

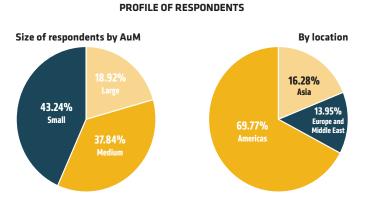
"Generally, we can get borrow from GSCO," is how one client sees the securities lending desk. A second borrower confirms Goldman is "great in US hard-to-borrows." On the financing side, a client says, "Goldman provides very good service and support with derivatives."

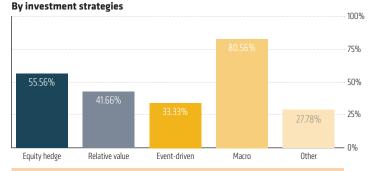
Relationships with clients look less healthy when it come to the scores for execution and operations, though there is praise for trading and execution ("Very good bespoke sales and trading coverage") and multiple tributes to the quality of post-trade operations. Though one respondent does say that Goldman "has multiple teams in operations – once we know who to contact for assistance, staff members are always helpful," another says "the operations group is very attentive and helpful in day-over-day functions." A third praises "strong operations staff" and a fourth reports that "trade settlement with our executing brokers has been working well."

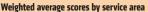
There are similar disjunctions in derivatives, consulting and capital introductions. "Healthcare-focused listed derivative colour, insight and access has been important to us," says a client. "Good team." Likewise, consulting has happy respondents. "GSCI Consulting has been helpful and the team provides suggestions/recommendations [in a] timely fashion," says one user. In capital introductions, even Goldman cannot escape the fact that disappointment will always outweigh delight. "We would like to participate in capital intro events and activities organised by our Prime," pleads one client. Others are delighted. "The Goldman cap intro team has been a strong partner for our firm," writes one of them. "They are very well informed and have been a great source of market intelligence." An Asian manager is pleased with the local cap intro rep and adds that "NY and London based reps promoting Asian hedge funds are also very helpful." But technology is the score to watch. One respondent argues that the existing technology is good enough ("GSCO's web portal is well-built and reports are comprehensive") while a more forward-looking manager is deeply impressed by Marquee, the client-facing digital platform Goldman has developed over the last six years. "Marquee seems like a really wonderful product," he says.

#### "Tremendous partner."

Weighted average scores				
2016	2017	2018	2019	
5.89	5.85	5.58	5.16	







weighten average stores by service area			
Service area	Weighted average score	+/- the global average (%)	
Capital introductions	4.80	-2.04%	
Client service	4.79	-16.98%	
Consulting	5.39	-6.42%	
Operations	4.82	-12.20%	
Technology	5.33	-3.96%	
Risk management	5.62	-0.53%	
Asset safety	6.16	-2.84%	
Prime custody	3.78	-40.00%	
Trading and execution	5.02	-16.33%	
Delta 1, swaps and financing	5.41	-4.59%	
Stock borrowing and lending	5.60	-4.76%	
Foreign exchange prime brokerage	5.81	1.04%	
Fixed income	5.41	-6.40%	
OTC clearing	4.97	-13.57%	
Listed derivatives	5.12	-11.42%	
Total	5.16	-10.57%	

### J.P. Morgan

L ong-term strategic partner for our firm," asserts a massive fund manager of exactly the kind J.P. Morgan seeks to service. But that does not translate into generous scoring of the prime brokerage services offered by the bank. In every comparable service area save one, the average scores are lower than they were a year ago. The exception is asset safety, where the much-vaunted fortress balance sheet reassures managers concerned about the ability of a prime broker to make them whole. "Great credit quality," writes one of them.

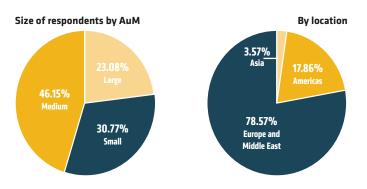
Similar considerations explain a flattering score for prime custody, a term J.P. Morgan did much to popularise as a hedge fund asset magnet in the wake of the great financial crisis of 2007-08. The balance sheet attracts less enthusiastic reviews when it comes to capital-hungry forms of hedge fund financing. That said, at least one client appreciates a "great Delta 1 desk." But flows are the benefit rather than the driver.

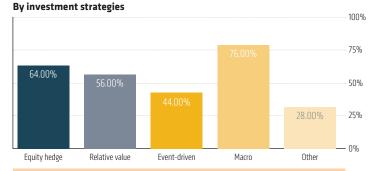
At the centre of any equity financing business is the ability to source and lend securities, and J.P. Morgan achieves a solid score in that area. "Competitive hard-to-borrow pricing" is the succinct verdict of one borrower. In another balance sheet intensive field - FX prime brokerage, where the bank is a global market leader - the muted scoring is explained by neither comments nor detailed scores. Any credit intermediation business is bound to disappoint at least some buy-side clients, and it seems the successful have not shown up in the survey. The same is true of capital introductions, where J.P. Morgan collects its lowest average score. This was an issue last year too, but even J.P. Morgan cannot overcome the fact that allocators are less enthusiastic about hedge fund strategies than they were. Last year saw the lowest number of new fund launches since the turn of the century, when J.P. Morgan had nothing to offer hedge funds but synthetics and many if not most of its equity finance clients today were working with a firm called Bear Stearns.

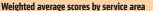
Ironically, the traditional strength of the firm in OTC derivatives, which dates back to long before the regulators elected to divert as much bi-lateral business as possible into centralised clearing, is still evident. Assessments of post-trade operations, which enjoys a similar heritage at the bank, is less admired. "Great execution," writes a client, "[but] operations back-office is really hard to work with." As in 2018, respondents would like the technology to offer them more, including mobile reporting and further assurances on data security. "Great portal, can work on improvements," as a client puts it. Now that Jamie Dimon has finally committed the bank to cloud computing as well as AI and machine learning, perhaps that investment can begin.

#### "Great Delta 1 desk."

Weighted average scores			
2016	2017	2018	2019
5.33	5.64	5.67	5.47







weighten average stores by service area			
Service area	Weighted average score	+/- the global average (%)	
Capital introductions	4.25	-13.27%	
Client service	5.06	-12.31%	
Consulting	5.86	1.74%	
Operations	4.91	-10.56%	
Technology	5.06	-8.83%	
Risk management	5.19	-8.14%	
Asset safety	6.37	0.47%	
Prime custody	6.45	2.38%	
Trading and execution	5.59	-6.83%	
Delta 1, swaps and financing	5.32	-6.17%	
Stock borrowing and lending	5.90	0.34%	
Foreign exchange prime brokerage	5.15	-10.43%	
Fixed income	5.52	-4.50%	
OTC clearing	5.88	2.26%	
Listed derivatives	5.88	-1.73%	
Total	5.47	-5.20%	

### **Morgan Stanley**

**E**verything exceeds our expectations," writes a client. In yet another display of the hold Morgan Stanley has over this industry, every score but one exceeds the global thresholds. The exception is the one area where Morgan Stanley chooses not to compete: fixed income. Clients continue to love the service model. "Consistently delivers quality client service through its model of having a main point of contact that services our account who will assist with other departments addressing any and all issues that impact our account," writes a respondent.

In 2018 financing was the closest clients came to criticism, and it remains at the lower end of an outstanding set of scores. In fact, all services that might eat the balance sheet - FX, risk management, securities lending – congregate at the lower end of the scoring spectrum. Hedge funds are bound to think prime brokers over-estimate the risk they represent, but at Morgan Stanley they get a hearing. "Overall, Morgan Stanley have been quite flexible and willing to listen to our point of view," says one. A second adds that "whenever we have questions how a potential new strategy will be margined our team always goes the extra mile to give us as accurate an estimation as they can as to what our margin costs will be. This has been extremely valuable for us and allows us the flexibility to create new strategies with confidence."

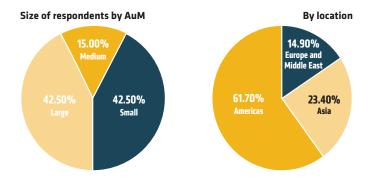
In less capital-consuming areas such as OTC clearing ("One of our prime providers for swaps"), futures ("Over the past year, we have traded more with MS, and are very happy with everything"), trading and execution ("Probably one of the best execution desks for PB") and consulting ("Strong technical advice") the scoring is consistently flattering. Even in the hardto-please field of capital introductions, Morgan Stanley is well above average. "Although a small PB client, Morgan Stanley was gracious to engage with cap intro to provide market recap and information sharing," writes a client. "We look forward to expanding our relationship with them."

The score for operations, which were a conspicuous source of strength in 2018, is hard to explain when praise for operations staff is frequent and fulsome. "The team members who we deal with are always top of the line and are a big reason why we work so closely with MSPB," says a client. He adds that "our experience with MSPB has been incredible. The level of access they provide to us, and the operational support, allows us to become more complex and take on more initiatives for our investors. There has never been a time which we felt that our coverage was taking the easy way out. We have many complex layers to our investment strategies, and our MSPB coverage is always right there with us."

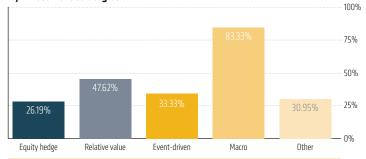
## "Consistently delivers quality client service."

Weighted average scores				
2016	2017	2018	2019	
6.06	6.16	6.04	6.15	

**PROFILE OF RESPONDENTS** 







Service area	Weighted	+/- the global	
	average score	average (%)	
Capital introductions	5.49	12.04%	
Client service	6.18	7.11%	
Consulting	6.33	9.90%	
Operations	5.89	7.29%	
Technology	6.03	8.65%	
Risk management	5.94	5.13%	
Asset safety	6.58	3.79%	
Prime custody	6.62	5.08%	
Trading and execution	6.28	4.67%	
Delta 1, swaps and financing	6.06	6.88%	
Stock borrowing and lending	6.10	3.74%	
Foreign exchange prime brokerage	5.96	3.65%	
Fixed income	5.64	-2.42%	
OTC clearing	6.14	6.78%	
Listed derivatives	6.55	13.32%	
Total	6.15	6.59%	

### Nomura

Predictably, the Instinet-owning Nomura continues to excel in trading and execution. Enthusiastic comments are languid ("Execution is smooth"), grateful ("I am a small client but feel I am getting a good service from the Instinet and Nomura execution teams") and detailed ("As our investment has been mainly on small and medium cap equities, Nomura has proven to be a valuable partner to support us in the trading of such equities, in particular for shorting of such shares").

One client alludes to an issue which helps explain the less fulsome assessment of post-trade operations, where there are gripes about failed trades ("Please send ... early so that we have more time to handle") and trade matching. "Strong individual sales and trading coverage," he writes. "But often lack cohesiveness across regions (US/Asia) and entities (Instinet and Nomura)." Another respondent confirms that operations would benefit from better "internal communication between divisions in different countries," while a third has noticed "frequent settlement issues between Nomura and Instinet."

There is variation in the scoring, with Asians marking Nomura more generously than Europeans and Europeans more generously than Americans. The score suggests the technology – an issue last year - is not helping, though its issues extend beyond the operational. "Login to Nomura Now is one of the most terrible experiences, always need to refresh five or more times," writes a client. A second adds that the "stock loan and corporate actions portal needs to be more reliable."

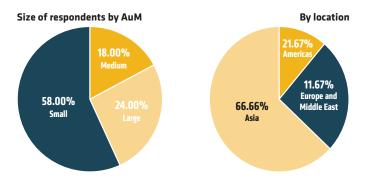
But there are no complaints about the stock loan desk, especially – if unsurprisingly – in Japan. "Great in Japan on hard-to-borrows," says one client. A second praises the ability of Nomura to source the small and mid-cap Japanese equities the fund is shorting. The home market is also the arena where the financing desk performs best. "The best in Japan market in terms of swaps and financing," confirms a user.

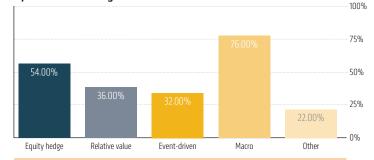
Issues raised last year do recur. Clients still want "transparency in margin requirements" and "margin financing for the fixed income bonds" (a demand unlikely to be met) and would "appreciate some customised products." Client expectations in consulting ("I wish we could take more advice from Nomura's consulting team on HR and compliance") and capital introductions ("Would be helpful if they made deeper inroads to connecting foreigners to the Japan pension, insurer and asset manager pools of money") are also likely to continue to be disappointed. But client service can cover a lot of technical and technological gaps, as a client points out. "Faced with certain system limitations, the Nomura prime brokerage client services team makes up for it by going the extra mile," he points out. "Even though my fund is small, I feel like I am getting a very personal service which is not something that can be taken for granted these days. Top marks."

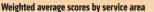
## "Great in Japan on hard-to-borrows."

Weighted average scores				
2016	2017	2018	2019	
5.76	6.01	5.79	5.98	

PROFILE OF RESPONDENTS







By investment strategies

Heighted average stores by service area			
Service area	Weighted	+/- the global	
	average score	average (%)	
Capital introductions	5.48	11.84%	
Client service	6.23	7.97%	
Consulting	5.73	-0.52%	
Operations	5.74	4.55%	
Technology	5.45	-1.80%	
Risk management	5.67	0.35%	
Asset safety	6.03	-4.89%	
Prime custody	6.47	2.70%	
Trading and execution	6.39	6.50%	
Delta 1, swaps and financing	6.36	12.17%	
Stock borrowing and lending	6.17	4.93%	
Foreign exchange prime brokerage	5.99	4.17%	
Fixed income	6.02	4.15%	
OTC clearing	5.95	3.48%	
Listed derivatives	5.51	-4.67%	
Total	5.98	3.64%	

## **BNY Mellon** Pershing

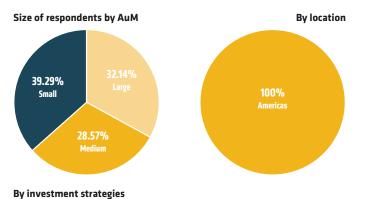
**P**ershing has achieved a remarkable degree of consistency in this survey. In the last four years its overall score has been fluctuating steadily on and around the threshold that separates the excellent prime brokers from those that are merely very good. Hands-on client service is the key to this success. Scores and comments suggest the model – a single point of contact plus dedicated support team – is working as well as ever. "We have never been more satisfied with a client manager than ours at Pershing," writes a client of his (name-checked) rep. A second agrees that "he is always on top of what we need from either risk or questions on corporate actions."

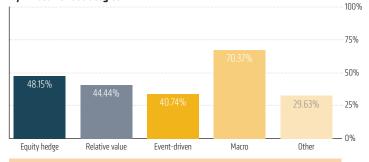
The excellent scores for operations ("Great operations team"), asset safety (the parent bank is a global custodian) and prime custody (ditto) are equally predictable. The impact of the client-empowering technology platform promised last year is evident in an improved score for technology. One client is impressed by the combination of the NetX360 global trading and execution platform and the longstanding Prime Connect collateral movement tool. "We now have access to NetX360 (Pershing Prime Connect)," he writes. "The system is amazing. It has streamlined our collateral management process by making it much more efficient."

The score for trading and execution is commensurately impressive. In fact, though more predictably, it is on a par with that for securities lending and borrowing. A client name-checks his contact on the stock loan desk for doing "an amazing job to provide accurate colour and keep us in names that trade special." Another client appreciates "excellent access to stock and fixed income borrows, including difficult to borrow." A third respondent adds that "Pershing does an excellent job both on the supply and rates sides of stock borrowing and keeps us very well informed of trends and developments in particular names of interest." It is notable that the score for financing, where Pershing relies on other parts of BNY Mellon, is not as high. But Pershing will be more disappointed by the scores for fixed income (an unfashionable strategy where it is competing fiercely, even on margin) and cap intro (which it has reverseengineered by asking allocators what they want before looking for managers to meet the need). Unfortunately, happy cap intro clients are absent from the survey, and the score has deteriorated since last year. "Not helpful" grumbles one respondent, while a second avers that "we never count on any prime broker for capital introduction. In our history nothing significant has ever happened." But raising capital is a bonus for managers that choose Pershing. Its selling points are counterparty strength, operational and collateral efficiency and a vast ability to borrow and lend stock. It is why Pershing is, as a client puts it, "an excellent complement to our stable of prime brokers."

#### "We have never been more satisfied with a client manager than ours at Pershing."

Weighted average scores				
2016	2017	2018	2019	
5.62	5.93	6.07	5.98	





Weighted average scores by service area

weighted average scores by service area			
Service area	Weighted average score	+/- the global average (%)	
Capital introductions	4.53	-7.55%	
Client service	6.36	10.23%	
Consulting	n/a	n/a	
Operations	6.13	11.66%	
Technology	5.84	5.23%	
Risk management	5.38	-4.78%	
Asset safety	6.59	3.94%	
Prime custody	6.13	-2.70%	
Trading and execution	6.18	3.00%	
Delta 1, swaps and financing	4.97	-12.35%	
Stock borrowing and lending	6.22	5.78%	
Foreign exchange prime brokerage	n/a	n/a	
Fixed income	5.31	-8.13%	
OTC clearing	n/a	n/a	
Listed derivatives	5.46	-5.54%	
Total	5.98	3.64%	

## Scotia Capital

"C olid Canadian prime with nice human touch," says a client. **O**"All members are pleasant and ready to help." Appointing a AA-rated Canadian bank as a prime broker obviously appeals for mundane reasons as well ("Safety of our fund assets is one of our key criteria"), but what shines through both the scores and comments this year is the level of engagement by staff with clients. "The teams servicing our funds, including their backups, are both knowledgeable and responsive," is how one client responds to the idea that some of the people working in operations at Scotia are not of the highest calibre. "The quality of service provided is what you would hope, and expect, from such an operation/relationship." The score for operations is indeed unusually high, and flush with tributes to operations employees who are variously "easy to work with," "very responsive and precise" and "very attentive and helpful in day-over-day functions." There is nothing dutiful about these remarks.

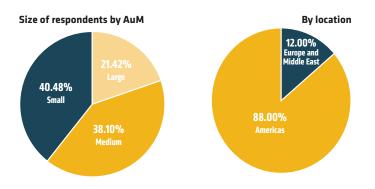
Responsive staff are clearly achieving real results in securities settlement ("Trade settlement with our executing brokers has been working well") and OTC Clearing ("The give-up workflow in Europe is working out very well"). Their efforts are also behind the high scores in other service areas, including trading and execution ("Highly attentive, quick turnaround on queries, very high level of service!"), FX prime brokerage ("Scotia FX desk is always helpful"), capital introductions ("Their reps are excellent") and listed derivatives ("Scotia has been extremely helpful in setting us up re. facility to buy listed options [put options]. Their assistance is much appreciated").

Even when bodies are being thrown at problems computers should be solving, clients still give the bank the benefit of the doubt. "Certain of Scotia's processes are not fully automated," writes a client. "Therefore, its client service team would spend time coordinating between clients and Scotia's back-office." Technology, though it was a work-in-progress last year as well as this, collects an excellent score almost as a gesture of goodwill. "Excellent improvements made in automation and tech in the stock loan space," writes a client. Another, who notes that "online reporting for corporate actions is in progress," is confident it will "improve [the] service offering."

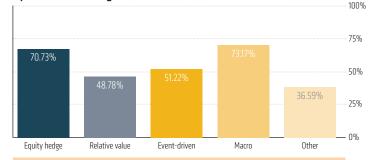
Confidence in the will of the Scotia people to find a way does spill into service areas where the markets, rather than the people, determine the outcome. "Excellent financing team," notes one respondent. But market rates are an issue which even the best client service cannot wholly overcome, and perceptions of securities lending and financing are inevitably coloured by them. "Rates for some hard-to-borrow can be rather high" says one client, while a second grumbles that "we have too many failed trades where 'broker lacked security." But no Scotia client is blaming the bank for these shortcomings. "Keep up the good work!" as one of them puts it.

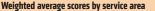
#### "Very attentive and helpful in day-over-day functions."

Weighted average scores				
2016	2017	2018	2019	
5.77	6.13	6.06	5.88	









The sines are a sector by set the area			
Service area	Weighted average score	+/- the global average (%)	
Capital introductions	4.88	-0.41%	
Client service	5.89	2.08%	
Consulting	n/a	n/a	
Operations	6.01	9.47%	
Technology	5.56	0.18%	
Risk management	5.95	5.31%	
Asset safety	6.38	0.63%	
Prime custody	6.61	4.92%	
Trading and execution	6.20	3.33%	
Delta 1, swaps and financing	5.76	1.59%	
Stock borrowing and lending	5.70	-3.06%	
Foreign exchange prime brokerage	6.28	9.22%	
Fixed income	6.10	5.54%	
OTC clearing	5.73	-0.35%	
Listed derivatives	6.24	7.96%	
Total	5.88	1.91%	

### Wells Fargo

**E** ncomia to reps occasionally offer insight into a corporate culture. A recent start-up says of Wells that "it is nice to know we have the support of such a thoughtful team who supports us despite no short-term economic benefit. We feel like they want to be our true partner." Another client finds he "can have a particular guideline or policy altered to accommodate our needs. In some cases, we are not accommodated, but someone is always at least responsive to our requests."

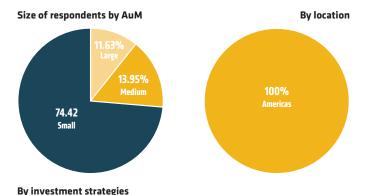
As it happens, the score for client service has slipped since last year, but it is one of only three which have. The only meaningful drop is in operations, which are famously well-integrated with the client-facing staff at Wells Fargo. The details suggest the slippage is largely artificial. "We are very happy with the operational service provided by Wells Fargo," says a respondent, though another finds it "satisfactory" only. "Systems are dated and not very user-friendly, but the people are very responsive and efficient," he explains. A client agrees the "technology interface can use an upgrade. Lots of information made available, but not as user-friendly as it could be."

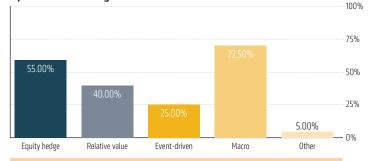
A fourth enters two pleas. "Please support your applications on mobile devices," he writes. "Please automate the file I have to manually upload for daily stock borrows." The score for securities lending remains robust. "Wells Fargo's rates are very competitive" says a user. A second also appreciates "flexibility in rates" and adds that the stock loan desk can "often can find us borrow in names that the other two clearing firms cannot." Scores in the adjacent field of financing, an issue last year, have also stood still. Explanatory comments are noticeable by their absence but a surge in the scoring of risk management is accompanied by the intriguing observation that "we have had no conflicts on risk thresholds or compliance over the life of our relationship." Views of trading and execution are more positive than in 2018. "Consistently provided excellent trade execution" writes a respondent, though a 2018 request recurs ("Would like to see stronger international capabilities") and praise for the algos and high touch traders has given way to the opposite.

The perennially awkward services of consulting ("excellent source of market colour) and capital introductions ("Hugely supportive") have their fans, though one client thinks attentiveness in cap intro should be allied to a more entrepreneurial approach. "Things seem quite bureaucratic," he says. Whether or not he is right, Wells is definitely building a following in the hedge fund industry. "This firm has been very supportive of ours in good times as well as bad," concludes a client. "If we are able to grow in the future, I am confident we would want to share our growth with them."

#### "Consistently provided excellent trade execution."

Weighted average scores				
2016	2017	2018	2019	
6.05	6.12	6.00	6.22	







weighten average scores by service area			
Service area	Weighted average score	+/- the global average (%)	
Capital introductions	5.08	3.67%	
Client service	6.12	6.07%	
Consulting	6.30	9.38%	
Operations	5.82	6.01%	
Technology	6.14	10.63%	
Risk management	6.37	12.74%	
Asset safety	6.77	6.78%	
Prime custody	6.84	8.57%	
Trading and execution	6.57	9.50%	
Delta 1, swaps and financing	5.76	1.59%	
Stock borrowing and lending	6.33	7.65%	
Foreign exchange prime brokerage	n/a	n/a	
Fixed income	5.64	-2.42%	
OTC clearing	6.06	5.39%	
Listed derivatives	6.20	7.27%	
Total	6.22	7.80%	

### **Credit Suisse**

#### Weighted average scores by service area

weighten average scores by service area			
Service area	Weighted average score	+/- the global average (%)	
Capital introductions	4.60	-6.12%	
Client service	4.93	-14.56%	
Consulting	5.74	-0.35%	
Operations	4.67	-14.94%	
Technology	5.61	1.08%	
Risk management	5.70	0.88%	
Asset safety	5.62	-11.36%	
Prime custody	n/a	n/a	
Trading and execution	5.36	-10.67%	
Delta 1, swaps and financing	4.71	-16.93%	
Stock borrowing and lending	4.76	-19.05%	
Foreign exchange prime brokerage	5.87	2.09%	
Fixed income	4.64	-19.72%	
OTC clearing	5.60	-2.61%	
Listed derivatives	4.92	-14.88%	
Total	5.10	-11.61%	

Weighted average scores			
2016	2017	2018	2019
5.32	5.60	5.39	5.10

Five years ago, prime services were identified by the senior management of Credit Suisse as one of the business lines ripe for economies. In 2016, a phased transition of parts of the business to the Dublin branch of Credit Suisse AG began, with the aim of redressing the balance between risk and reward. This relieved pressure on the balance sheet of the securities arm of the group but inevitably led to disruption in terms of leadership, personnel and client relationships.

The bank has also endeavoured simultaneously to reorient the business towards established fund managers and fast-growing funds, mainly by offering innovative financing services alongside traditional prime brokerage. This made some contribution to a reduction in prime brokerage revenues last year, exacerbating the impact of weaker equity markets and lower demand for financing from hedge funds that affected the industry as a whole. Revenues have revived slightly this year, but clients of the prime services arm of Credit Suisse are even less conspicuous in the survey this year than they were in 2018. Some respondents are impressed by what they find. One notes that Credit Suisse has "good Japan sales and trading despite being a smaller player in the market."

A second name-checks a senior individual as a "leading PB" and describes the cap intro team as "very helpful."

#### **Deutsche Bank**

A decade ago, Deutsche Bank provided a safe haven for hedge fund assets fleeing thinly capitalised investment banks. But it proved more ambitious than that. For five years consecutive between 2008 and 2012, Deutsche consistently secured the highest overall score in this survey. That ambition faded. In May last year, Deutsche announced it was cutting both headcount and balance sheet allocated to prime services. On 7 July this year, the bank unveiled a radical new strategy which does not include a prime services business at all.

The CEO explained that the investment banking business as a whole had retarded the profits of the group for years. To rectify this, the bank has chosen to exit its equities business, including prime finance, as well as cash equities and equity derivatives, and to shrink its fixed income business as well. The goal is to reduce the risk-weighted capital allocated to both equity and fixed income by 40%.

On the same day, the bank announced a preliminary non-binding agreement to transfer the prime services business to BNP Paribas. The changes that took place in 2018 had already encouraged some hedge fund clients of Deutsche Bank to move their assets to another prime broker, and the plans unveiled on 7 July have accelerated that process. These developments occurred while the survey was in the field, with an inevitable impact on the number and quality of the responses received.

Weighted average scores			
2016	2017	2018	2019
5.86	5.86	5.20	5.72

Client service         5.33         -7.63           Consulting         5.81         0.87           Operations         6.01         9.47           Technology         5.53         -0.36           Risk management         6.03         6.73           Asset safety         5.39         -14.98           Prime custody         6.51         8.50           Delta 1, swaps and financing         5.72         0.88           Stock borrowing and lending         5.33         -9.35           Foreign exchange prime brokerage         5.55         -3.48           Fixed income         6.26         8.30           OTC clearing         5.35         -6.96	Weighten average stores by service area			
Capital introductions         4.04         -17.55           Client service         5.33         -7.63           Consulting         5.81         0.87           Operations         6.01         9.47           Technology         5.53         -0.36           Risk management         6.03         6.73           Asset safety         5.39         -14.98           Prime custody         6.12         -2.86           Trading and execution         6.51         8.50           Delta 1, swaps and financing         5.72         0.88           Stock borrowing and lending         5.33         -9.35           Foreign exchange prime brokerage         5.55         -3.48           Fixed income         6.26         8.30           OTC clearing         5.35         -6.96	Service area			
Client service         5.33         -7.63           Consulting         5.81         0.87           Operations         6.01         9.47           Technology         5.53         -0.36           Risk management         6.03         6.73           Asset safety         5.39         -14.98           Prime custody         6.51         8.50           Delta 1, swaps and financing         5.72         0.88           Stock borrowing and lending         5.33         -9.35           Foreign exchange prime brokerage         5.55         -3.48           Fixed income         6.26         8.30           OTC clearing         5.35         -6.96		average score	average (%)	
Consulting         5.81         0.87           Operations         6.01         9.47           Technology         5.53         -0.36           Risk management         6.03         6.73           Asset safety         5.39         -14.98           Prime custody         6.12         -2.86           Trading and execution         6.51         8.50           Delta 1, swaps and financing         5.72         0.88           Stock borrowing and lending         5.33         -9.35           Foreign exchange prime brokerage         5.55         -3.48           Fixed income         6.26         8.30           OTC clearing         5.35         -6.96	Capital introductions	4.04	-17.55%	
Operations         6.01         9.47           Technology         5.53         -0.36           Risk management         6.03         6.73           Asset safety         5.39         -14.98           Prime custody         6.12         -2.86           Trading and execution         6.51         8.50           Delta 1, swaps and financing         5.72         0.88           Stock borrowing and lending         5.33         -9.35           Foreign exchange prime brokerage         5.55         -348           Fixed income         6.26         8.30           OTC clearing         5.35         -6.96	Client service	5.33	-7.63%	
Technology         5.53         -0.36           Risk management         6.03         6.73           Asset safety         5.39         -14.98           Prime custody         6.12         -2.86           Trading and execution         6.51         8.50           Delta 1, swaps and financing         5.72         0.88           Stock borrowing and lending         5.33         -9.35           Foreign exchange prime brokerage         5.55         -3.48           Fixed income         6.26         8.30           OTC clearing         5.35         -6.96	Consulting	5.81	0.87%	
Risk management         6.03         6.73           Asset safety         5.39         -14.98           Prime custody         6.12         -2.86           Trading and execution         6.51         8.50           Delta 1, swaps and financing         5.72         0.88           Stock borrowing and lending         5.33         -9.35           Foreign exchange prime brokerage         5.55         -3.48           Fixed income         6.26         8.30           OTC clearing         5.35         -6.96	Operations	6.01	9.47%	
Asset safety         5.39         -14.98           Prime custody         6.12         -2.86           Trading and execution         6.51         8.50           Delta 1, swaps and financing         5.72         0.88           Stock borrowing and lending         5.33         -9.35           Foreign exchange prime brokerage         5.55         -3.48           Fixed income         6.26         8.30           OTC clearing         5.35         -6.96	Technology	5.53	-0.36%	
Prime custody         6.12         -2.86           Trading and execution         6.51         8.50           Delta 1, swaps and financing         5.72         0.88           Stock borrowing and lending         5.33         -9.35           Foreign exchange prime brokerage         5.55         -3.48           Fixed income         6.26         8.30           OTC clearing         5.35         -6.96	Risk management	6.03	6.73%	
Trading and execution         6.51         8.50           Delta 1, swaps and financing         5.72         0.88           Stock borrowing and lending         5.33         -9.35           Foreign exchange prime brokerage         5.55         -3.48           Fixed income         6.26         8.30           OTC clearing         5.35         -6.96	Asset safety	5.39	-14.98%	
Delta 1, swaps and financing         5.72         0.88           Stock borrowing and lending         5.33         -9.35           Foreign exchange prime brokerage         5.55         -3.48           Fixed income         6.26         8.30           OTC clearing         5.35         -6.96	Prime custody	6.12	-2.86%	
Stock borrowing and lending         5.33         -9.35           Foreign exchange prime brokerage         5.55         -3.48           Fixed income         6.26         8.30           OTC clearing         5.35         -6.96	Trading and execution	6.51	8.50%	
Foreign exchange prime brokerage         5.55         -3.48           Fixed income         6.26         8.30           OTC clearing         5.35         -6.96	Delta 1, swaps and financing	5.72	0.88%	
Fixed income         6.26         8.30           OTC clearing         5.35         -6.96	Stock borrowing and lending	5.33	-9.35%	
OTC clearing         5.35         -6.96	Foreign exchange prime brokerage	5.55	-3.48%	
	Fixed income	6.26	8.30%	
Listed derivatives 6.59 14.01	OTC clearing	5.35	-6.96%	
	Listed derivatives	6.59	14.01%	
Total 5.72 -0.87	Total	5.72	-0.87%	

### **Fidelity Prime Services**

Weighted average scores by service area			
Service area	Weighted average score	+/- the global average (%)	
Capital introductions	3.95	-19.39%	
Client service	6.55	13.52%	
Consulting	5.34	-7.29%	
Operations	7.00	27.50%	
Technology	4.55	-18.02%	
Risk management	7.00	23.89%	
Asset safety	6.46	1.89%	
Prime custody	6.81	8.10%	
Trading and execution	6.08	1.33%	
Delta 1, swaps and financing	7.00	23.46%	
Stock borrowing and lending	6.93	17.86%	
Foreign exchange prime brokerage	6.24	8.52%	
Fixed income	n/a	n/a	
OTC clearing	6.19	7.65%	
Listed derivatives	n/a	n/a	
Total	6.47	12.13%	

Weighted average scores			
2016	2017	2018	2019
5.94	6.01	5.97	6.47

Internal access to portfolios means securities lending is the obvious strength of Fidelity in this business. Scoring of that service is consistently high. PB Optimize, the Cloud-based securities lending and financing pricing service that allows clients to check the rates offered by Fidelity against the market, continues to impress clients seven years on from launch. "Supporting/ introducing us to PB Optimize has been very helpful," writes one. "We appreciate that as a step in the right direction towards transparency."

The detailed scoring indicates that Fidelity lives up to its promise to insulate borrowers from buy-ins and recalls, but clients are less certain of its access to hard-to-borrows. On the financing side of the market, the firm does even better, with clients valuing the opportunity to invest in short-term lending as well as borrow on margin. It is harder to please clients in capital introductions, though Fidelity offers a full service from research to one-to-one meetings. Like most prime brokers, it collects one of its weaker scores in that area.

Issues in other areas are more apparent than real. In technology, clients like the on-line instruction and reporting tools, and are merely seeking a mobile version of them. Likewise, they are confident about the overall efficiency and accuracy of the operations teams but are not convinced that everyone they deal with is as knowledgeable and responsive as they could be.

### **Global Prime Partners**

GPP looks to service small to medium-sized hedge funds. It plies them with direct access, algorithmic and voice-brokered execution, securities lending and financing and reporting technology. Other services are provided on an outsourced basis, including clearing (BNP Paribas) and custody (BNY Mellon). This accounts for the high level of confidence among respondents that their assets are safe. Capital introductions, which is important to the demographic GPP is pursuing, is also provided by a third-party (RSRCHXchange). There are no signs of dissatisfaction with any of these services save cap intro, which is a perennial source of gloom for all prime brokers.

In the services it provides directly, GPP collects a range of scores. But only securities lending will seriously disappoint. "Some Asian stocks are hard to borrow, and can only be located after hours, which can be inconvenient," explains a client. The dampener is the Asian responses and, although the Europeans do not score securities lending generously either, GPP gets lower scores in general from clients based in Asia, where the firm secured a licence to operate in Hong Kong back in 2015.

But the score for client service remains admirably robust in all parts of the world where GPP is active. "Very satisfied with the client service we receive from GPP," says one respondent, and he is based in Asia.

Weighted average scores			
2016	2017	2018	2019
5.49	5.79	5.63	5.63

Service area	Weighted average score	+/- the global average (%)
Capital introductions	n/a	n/a
Client service	5.75	0.35%
Consulting	n/a	n/a
Operations	5.87	6.92%
Technology	5.78	4.14%
Risk management	5.58	-1.24%
Asset safety	6.15	-3.00%
Prime custody	n/a	n/a
Trading and execution	5.42	-9.67%
Delta 1, swaps and financing	5.20	-8.29%
Stock borrowing and lending	4.92	-16.33%
Foreign exchange prime brokerage	n/a	n/a
Fixed income	5.89	1.90%
OTC clearing	n/a	n/a
Listed derivatives	5.85	1.21%
Total	5.63	-2.43%

#### Jefferies

Weighted average scores by service area				
Service area	Weighted average score	+/- the global average (%)		
Capital introductions	5.00	2.04%		
Client service	6.64	15.08%		
Consulting	5.47	-5.03%		
Operations	5.67	3.28%		
Technology	6.10	9.91%		
Risk management	5.08	-10.09%		
Asset safety	6.62	4.42%		
Prime custody	n/a	n/a		
Trading and execution	6.19	3.17%		
Delta 1, swaps and financing	6.30	11.11%		
Stock borrowing and lending	6.30	7.14%		
Foreign exchange prime brokerage	n/a	n/a		
Fixed income	5.95	2.94%		
OTC clearing	6.45	12.17%		
Listed derivatives	4.16	-28.03%		
Total	5.99	-3.81%		

Weighted average scores			
2016	2017	2018	2019
5.91	5.99	5.76	5.99

These results smack of a renewed confidence at Jefferies. The recent structural changes have made the logic of its 2012 merger with Leucadia, which was puzzling to clients and investors at the time, much easier to grasp. In the United States at least – no responses were received from clients of the operations in London and Hong Kong – clients sense the firm has rediscovered its focus and its entrepreneurial culture.

Jefferies is now looking to grow revenues in its equities business as a whole and not just in equity finance, but the prime brokerage group can be pleased by the outcome in all the areas where they aim to shine. In the core service of securities financing, it clears the global benchmark with ease, and the score for securities lending would be even better than that if clients were convinced that the Jefferies stock loan desk could source hardto-borrows as readily as it finds general collateral.

In trading and execution, the firm is as close to perfection as makes no difference. The outsourced trading desk doubtless aids positive perceptions by smaller clients but, inevitably, they are less happy with capital introductions. This area continues to disappoint. But then the current investment market is not generous to hedge fund start-ups, with fees compressed and allocations down, so an underwhelming score in capital-raising is scarcely unexpected and certainly not unusual. In fact, Jefferies does better than average in capital introductions.

#### **TD Securities**

The upward momentum of the scores in recent years has dissipated somewhat in 2019. But the prime brokerage division of the wholesale banking arm of the Canadian retail bank has continued to score well in at least one of the service areas where it likes to be judged and in which it shone so brightly last year. An exclusive retail supply plus large internal portfolios virtually guarantee that TD will do well in securities lending and borrowing, and it does indeed clear the global benchmark in that area comfortably.

The outcome in financing, on the other hand, is less pleasing. In theory, the bank has the capital strength to be extremely competitive in financing Canadian hedge funds, but clients are clearly not experiencing that in practice. The parentage matters in other ways, though. Being owned by an AA-rated bank sound enough to cover the risk of third-party clearers and custodians is enough to explain a near-perfect score for asset safety. Post-trade operations, where the bank did well last year, remain a strength in 2019. But it is on the execution desk, where TD helps clients trade listed securities and derivatives, that the firm collects its highest scores.

The bank has long established and successful franchises in Canadian equities, fixed income and futures, and prime brokerage clients like what they find. As Canadian dollar-based funds, they also have a high opinion of the FX execution capabilities of TD.

Weighted average scores			
2016	2017	2018	2019
5.29	5.67	5.93	5.75

Theighted areauge stores by service area		
Service area	Weighted average score	+/- the global average (%)
Capital introductions	4.27	-12.86%
Client service	5.94	2.95%
Consulting	4.98	-13.54%
Operations	5.66	3.10%
Technology	5.13	-7.57%
Risk management	5.54	-1.95%
Asset safety	6.54	3.15%
Prime custody	n/a	n/a
Trading and execution	5.95	-0.83%
Delta 1, swaps and financing	6.21	-9.52%
Stock borrowing and lending	6.02	2.38%
Foreign exchange prime brokerage	6.30	9.57%
Fixed income	4.89	-15.40%
OTC clearing	4.97	-13.57%
Listed derivatives	6.26	8.30%
Total	5.75	-0.35%

UBS	Weighted average scores			
	2016	2017	2018	2019
	5.55	5.61	5.45	5.41

Weighted average scores by service area				
Service area	Weighted average score	+/- the global average (%)		
Capital introductions	4.89	-0.20%		
Client service	5.44	-5.72%		
Consulting	6.37	10.59%		
Operations	4.52	-17.67%		
Technology	5.54	-0.18%		
Risk management	5.92	4.78%		
Asset safety	6.53	3.00%		
Prime custody	n/a	n/a		
Trading and execution	5.77	-3.83%		
Delta 1, swaps and financing	5.77	1.76%		
Stock borrowing and lending	5.92	0.68%		
Foreign exchange prime brokerage	4.44	-22.78%		
Fixed income	4.79	-17.13%		
OTC clearing	4.99	-13.22%		
Listed derivatives	5.64	-2.42%		
Total	5.41	-6.24%		

This is not a vintage year for the Swiss bank, in terms of either the number of respondents or their collective verdict.
However, the overall average score is somewhat misleading. In
the detailed scores, the strengths of the bank remain extremely
vivid.

In securities and synthetic financing, where UBS has always sought to shine, the assessment is unequivocally flattering. There is nothing wrong with the score for securities lending either. The global reach of the bank, coupled with access to the fully paid inventory of the private bank, has always made UBS a destination for borrowers. The AA rating appeals to lending agents as well – and accounts for the exceptionally high rating the bank is given for asset safety. The score for trading and execution, however, runs it close. Clients know they will struggle to find a better one-stop shop than the global execution, clearing and custody network of UBS. So it is surprising that the flattery from clients of the trading desks (FX prime brokerage apart) does not spill over into operations.

Where UBS does outscore almost everybody is in capital introduction, where the bank vaults the (admittedly low) global benchmark with ease. The formula for success, it seems, is maintaining a proper network of people around the world. This comes naturally to a prime broker owned by a private bank. A similar approach pays dividends in consulting.



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