



PRIME
BROKERAGE
SURVEY

The 2020 Prime Brokerage Survey was conducted in what might be described as unusual circumstances, with both providers and respondents working remotely as the COVID-19 pandemic gathered pace. It was also a time when both PBs and their clients were feeling their way through a period of extreme market volatility with attendant risks and collateral demands.

We are therefore particularly grateful to all those who engaged with the process this year in what can only be described as trying. In the end the survey received 545 completed and validated responses allowing us to provide analyses of 14 prime brokers.

Unlike the financial crisis of the previous decade, the COVID-19 pandemic does not appear to have dented faith in financial institutions in the same way, as evidenced by the relatively high score for Asset Safety.

At the other end of the scale, Capital Introductions and Technology remain among the less well appreciated aspects of prime brokerage offerings, though the score for the former has improved considerably since last year and is now rated Good overall rather than merely Satisfactory.

As for Technology, an argument can be made that PBs have put more of their investment dollars into improving their operational engines rather than the client-facing interfaces. Ultimately, clients will be the judge.

SAFE AND RELATIVELY SOUND

Unlike the 2008 financial crisis, the COVID-19 pandemic does not appear to have dented the faith hedge funds have in their prime brokers.

Category	Average Score	Average Score Previous Year	Difference
Asset Safety	6.27	6.34	-0.07
Capital Introductions	5.47	4.90	0.57
Client Services	5.88	5.77	0.11
Consulting	5.69	5.76	-0.07
Delta 1, Swaps and Financing	5.86	5.67	0.19
Foreign Exchange Prime Brokerage	5.94	5.75	0.19
Listed Derivatives	5.84	5.78	0.06
Operations	5.85	5.49	0.36
OTC Clearing	5.98	5.75	0.23
Risk Management	5.62	5.65	-0.03
Stock Borrowing and Lending	5.90	5.88	0.02
Technology	5.50	5.55	-0.05
Trading and Execution	5.83	6.00	-0.17
Total	5.83	5.77	0.06

Methodology

The structure of the survey was considerably revamped this year to make it easier to complete, while still retaining the granularity necessary for a meaningful analysis. The same service categories as last year were retained, with the exception of Prime Custody. Introduced in 2019 on a trial basis, it failed to gain sufficient traction and was therefore dropped from this year's questionnaire.

The survey asked clients to assess the services that they receive from their Prime Brokers. The principal change was the use of only one quantifiable rating question per category. This related to the overall service level per category and was done through a sliding scale from 'Strongly disagree' to 'Strongly agree'. In some categories, a number of optional qualifying questions were posed to add colour as well as an optional comment box per category.

As a result, we believe we have gathered a richer set of client opinions of the service they have received from their providers. The published results use Global Custodian's conventional seven-point

scale familiar to readers of the magazine (where 1=unacceptable and 7=excellent).

Ten responses are the minimum sample number required to assess a service provider sufficiently for full category results to be published. Individual responses are weighted for the size of the respondent as measured by assets under management. Despite the fact that weightings were adjusted this year to give greater voice to the largest clients, who are often the most demanding, the aggregate results are largely in line with last year.

Scores in any individual service area that attract fewer than three responses are excluded from the calculations. Where a provider has recorded three or more responses per category, average scores can be made available to the provider concerned for internal use. More granular analyses than are published may also be available to providers. For more information on bespoke reports, please contact beenish.hussain@globalcustodian.com.

ABN Amro Clearing

ABN Amro Clearing has seen an overall increase in its results this year of 0.49 points, taking it from the lower to the upper ranges of Good (5.00-5.99). Its most improved score (+1.90) is for Operations, “Very proactive and supportive!” says one client. Its highest rating is (6.42) is for Asset Safety.

Although Capital Introductions has recorded a dip of 0.55 points, the bank itself notes that, “We have over the last 12 months continued our efforts in supporting our clients with Cap Intro and have successfully run another Amsterdam Investor Forum, where attendance was its highest ever.” Its score in this area also remains slightly ahead of the global average. Other service categories where the bank’s results exceed the global average are Consulting, Asset Safety, Listed Derivatives, and OTC Clearing, of which one client says, “This is a very important feature in our clearing relationship with ABN and we value it highly.”

When it comes to Client Services, comments are broadly positive though the experience of some respondents in the past year has brought down what otherwise would have been a high score. “ABN Amro Clearing continues to impress in this area. They are constantly improving their services and client focus is their strength. Outstanding!” says one. However, another complains that, “We have had many problems with reporting this year where statements have come late or been completely incorrect. This has caused many hours of extra work for our reconciliation team.”

“The continued major market development affecting the space, including ABN AMRO Clearing, has been the ongoing application of the Basel III capital ratios,” the bank itself observes. “Throughout the year, we continued to monitor our client base to ensure a robust ROE and strategic fit.”

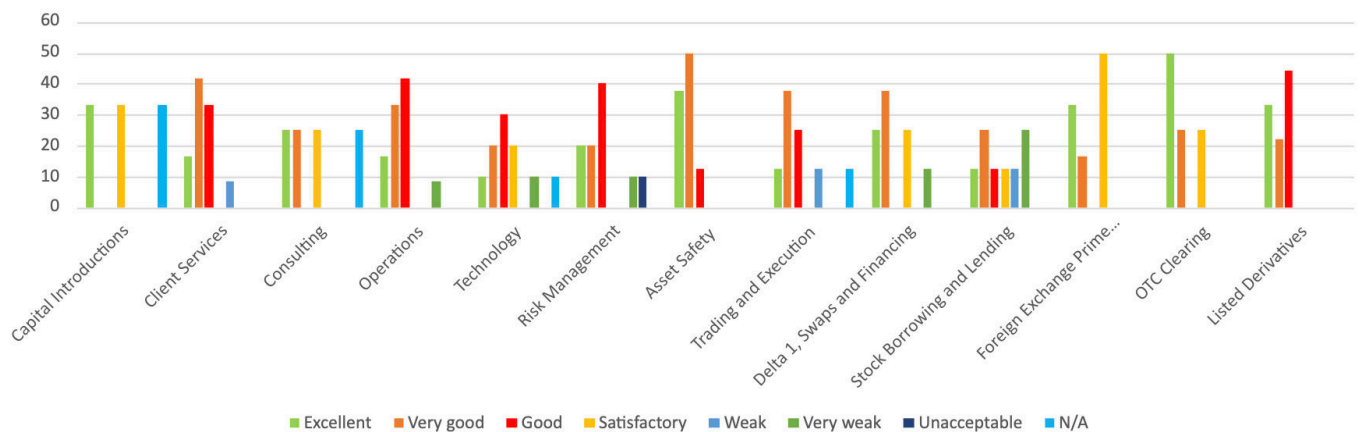
Category scores: annual comparison

Category	2020	2019	Difference
Capital Introductions	5.50	6.05	-0.55
Client Services	5.72	5.56	0.16
Consulting	6.00	5.48	0.52
Operations	5.61	3.71	1.90
Technology	4.86	4.08	0.78
Risk Management	5.27	4.86	0.41
Asset Safety	6.42	6.07	0.35
Trading and Execution	5.60	5.57	0.03
Delta 1, Swaps and Financing	5.55	5.58	-0.03
Stock Borrowing and Lending	4.58	4.67	-0.09
Foreign Exchange Prime Brokerage	5.75	4.93	0.82
OTC Clearing	6.17	5.73	0.44
Listed Derivatives	6.08	6.32	-0.24
Average	5.65	5.16	0.49

Category scores relative to global benchmarks

Category	Average Score	Global Score	Difference vs Global
Capital Introductions	5.50	5.47	0.03
Client Services	5.72	5.88	-0.16
Consulting	6.00	5.69	0.31
Operations	5.61	5.85	-0.24
Technology	4.86	5.50	-0.64
Risk Management	5.27	5.62	-0.35
Asset Safety	6.42	6.27	0.15
Trading and Execution	5.60	5.83	-0.23
Delta 1, Swaps and Financing	5.55	5.86	-0.32
Stock Borrowing and Lending	4.58	5.90	-1.31
Foreign Exchange Prime Brokerage	5.75	5.94	-0.19
OTC Clearing	6.17	5.98	0.19
Listed Derivatives	6.08	5.84	0.24
Average	5.65	5.83	-0.18

Spread of Opinion (%)



Bank of America Merrill Lynch

BAML has certainly found favour with a number of respondents in this year's survey. One was particularly effusive: "Thrilled with BAML as PB - we have developed a real partnership with them and they really understand our needs."

From a rather disappointing set of results in 2019, the bank has made significant progress in several areas. Category scores now stretch widely from a low of 3.75 for Foreign Exchange Prime Brokerage to an impressive 6.29 for Asset Safety and 6.12 for Delta 1, Swaps and Financing, both now within Very Good bounds (6.00-6.99). The latter is up by a massive 1.74 points out of seven. Scores have in fact risen in 11 of the 14 service categories, with only Technology and Foreign Exchange Prime Brokerage, registering declines.

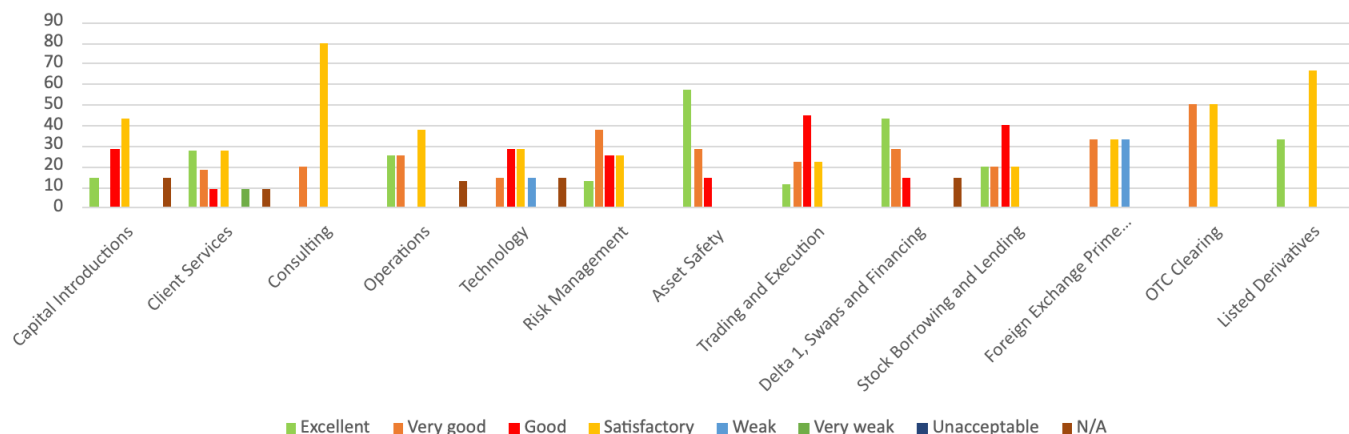
Client comments are few, though complimentary in one specific area. When it comes to Trading and Execution, "BofA continues to impress our traders and is one of our first calls in the derivative space," says one client. In the area of Stock Borrowing and Lending, which has moved up from Satisfactory to Good, one client describes BAML as running a "solid group. They really try, but inventories are not as great outside the US."

Although the bank's overall average falls within Satisfactory range, the distribution of individual responses suggests that most clients regard most of the bank's services as between Good and Excellent. The bottom chart shows the distribution of ratings across the various service areas. By this measure, only two categories – Technology and Foreign Exchange Brokerage – record any ratings below Satisfactory. By contrast, 86% of respondents for the bank rate Asset Safety as either Very Good or Excellent, while 72% ascribe a similar rating to Delta 1, Swaps and Financing. Overall there would seem to be little incentive for clients to search elsewhere for their prime brokerage requirements.

Category scores: annual comparison			
Category	2020	2019	Difference
Capital Introductions	4.67	4.25	0.42
Client Services	4.86	4.63	0.23
Consulting	4.27	n/a	n/a
Operations	4.71	4.24	0.47
Technology	4.44	4.82	-0.38
Risk Management	5.10	4.26	0.84
Asset Safety	6.29	5.56	0.73
Trading and Execution	5.21	4.39	0.82
Delta 1, Swaps and Financing	6.12	4.38	1.74
Stock Borrowing and Lending	5.27	4.54	0.73
Foreign Exchange Prime Brokerage	3.75	4.12	-0.37
OTC Clearing	5.00	4.11	0.89
Listed Derivatives	5.09	4.84	0.25
Average	4.96	4.52	0.44

Category scores relative to global benchmarks			
Category	Average Score	Global Score	Difference vs Global
Capital Introductions	4.67	5.47	-0.81
Client Services	4.86	5.88	-1.02
Consulting	4.27	5.69	-1.42
Operations	4.71	5.85	-1.13
Technology	4.44	5.50	-1.06
Risk Management	5.10	5.62	-0.52
Asset Safety	6.29	6.27	0.02
Trading and Execution	5.21	5.83	-0.63
Delta 1, Swaps and Financing	6.12	5.86	0.26
Stock Borrowing and Lending	5.27	5.90	-0.63
Foreign Exchange Prime Brokerage	3.75	5.94	-2.19
OTC Clearing	5.00	5.98	-0.98
Listed Derivatives	5.09	5.84	-0.75
Average	4.96	5.83	-0.87

Spread of Opinion (%)



Barclays

The British bank has seen its position in the global prime brokerage scene grow significantly over recent months, as it sets its sights on challenging the incumbents. It was also one of the beneficiaries in the fallout of the Deutsche Bank-BNP Paribas deal, gaining \$20 billion in client balances from the German bank. It now sits firmly in the middle of industry league tables for servicing hedge funds.

Barclays recorded improvements in most categories in comparison to last year's results, taking it to the upper range of Good. One of its most significant improvements came in Delta 1, Swaps and Financing (6.18), up by 118 basis points, where it also achieved its highest rating and outscored the global average. "Great execution on swaps," one hedge fund client praised, while another said they are "competitive due to [their] CFD structure."

The bank's greatest increase was for Listed Derivatives, up 1.21 basis points. It also recorded better scores in Risk Management (5.33), up by 0.43 basis points – a crucial indicator of hedge fund sentiment in the bank at a time of extreme volatility caused by the global pandemic.

Yet it did see a drop off in ratings for Stock Borrowing and Lending (5.81), its highest score from last year's survey. That said, its score is still in the near Very Good range and is among one of the areas where it receives the most positive comments. One happy client explains, "Barclays has a strong team on the securities lending side of the business... We consistently receive excellent service on market colour and borrow availability."

Trading and Execution, where the bank prides itself on its services for quant funds, also saw a slight drop-off in scores to 5.71, falling just short of the global average. In addition, while Client Service (5.38) and Operations (5.40) achieved higher scores than the previous Prime Brokerage Survey, the bank is still behind its peers in these categories.

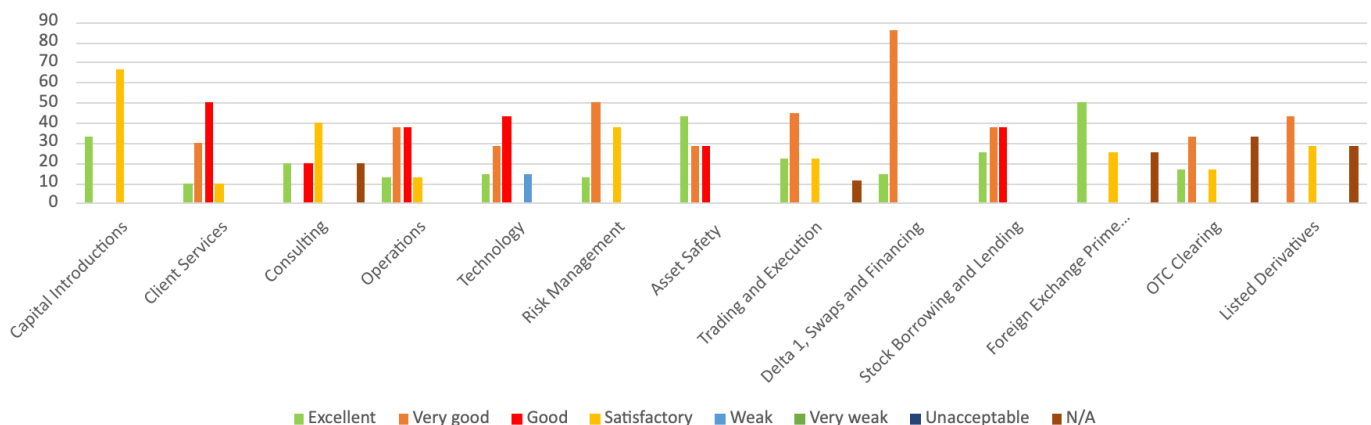
Category scores: annual comparison

Category	2020	2019	Difference
Capital Introductions	4.90	4.73	0.17
Client Services	5.38	5.12	0.26
Consulting	4.92	n/a	n/a
Operations	5.40	4.93	0.47
Technology	5.24	5.26	-0.02
Risk Management	5.33	4.90	0.43
Asset Safety	5.95	5.94	0.01
Trading and Execution	5.71	5.42	0.29
Delta 1, Swaps and Financing	6.18	5.00	1.18
Stock Borrowing and Lending	5.81	6.12	-0.31
Foreign Exchange Prime Brokerage	5.88	5.09	0.79
OTC Clearing	5.67	5.85	-0.18
Listed Derivatives	5.18	3.97	1.21
Average	5.56	5.42	0.14

Category scores relative to global benchmarks

Category	Average Score	Global Score	Difference vs Global
Capital Introductions	4.90	5.47	-0.57
Client Services	5.38	5.88	-0.51
Consulting	4.92	5.69	-0.77
Operations	5.40	5.85	-0.45
Technology	5.24	5.50	-0.26
Risk Management	5.33	5.62	-0.28
Asset Safety	5.95	6.27	-0.31
Trading and Execution	5.71	5.83	-0.13
Delta 1, Swaps and Financing	6.18	5.86	0.32
Stock Borrowing and Lending	5.81	5.90	-0.09
Foreign Exchange Prime Brokerage	5.88	5.94	-0.07
OTC Clearing	5.67	5.98	-0.31
Listed Derivatives	5.18	5.84	-0.67
Average	5.56	5.83	-0.27

Spread of Opinion (%)



BNP Paribas

BNP Paribas once again received one of the highest turnouts from survey respondents, helping it to achieve the second highest overall score (6.23) in comparison to its closest bulge-bracket rivals. It has also outperformed the global average in all categories.

The results will also come as a major boost to its wider plans to integrate Deutsche Bank's prime brokerage and electronic execution business. It is aiming to become one of the top prime brokers in Europe and potentially break out as a top four global player.

Despite its team working remotely over the survey period, it has still been able to achieve mostly Very Good scores across the board, with its highest coming in Foreign Exchange Prime Brokerage (6.48). It was also able to outscore the global average in Capital Introduction (6.10) and Consulting (6.36). Its outsourced cap intro arrangement with Layton Road received several positive comments, with one client explaining, "We had low expectations for the team's efficacy, and they outperformed expectations", while another says, "Excellent service and continual communication... especially during the extreme volatility in March 2020."

The French bank received the most feedback around Client Services (6.45), where it impressively outscored last year's results and the overall global average by 56 basis points. Numerous relationship managers are name checked with praise. "I cannot say enough good things about the team that I have worked with at BNP over the past several years," one client commends, while another adds, "On the middle-office side of the business, BNP provides the most transparency in trade settlement and other portfolio related items, such as corporate actions and margin/securities lending fees. All ad-hoc requests are addressed timely and thoroughly by our client rep."

Aspects of the bank's Technology (5.85) were slightly dented by client feedback. One hedge fund client said they had experienced several IT issues, with a detrimental impact on risk management.

Category scores: annual comparison			
Category	2020	2019	Difference
Capital Introductions	6.10	4.98	1.12
Client Services	6.45	6.31	0.14
Consulting	6.36	n/a	n/a
Operations	6.38	6.21	0.17
Technology	5.85	5.99	-0.14
Risk Management	5.94	6.03	-0.09
Asset Safety	6.28	6.56	-0.28
Trading and Execution	6.05	6.44	-0.39
Delta 1, Swaps and Financing	5.96	6.02	-0.06
Stock Borrowing and Lending	6.16	6.44	-0.28
Foreign Exchange Prime Brokerage	6.48	6.35	0.13
OTC Clearing	6.42	6.15	0.27
Listed Derivatives	6.24	6.20	0.04
Average	6.23	6.24	-0.01

Category scores relative to global benchmarks			
Category	Average Score	Global Score	Difference vs Global
Capital Introductions	6.10	5.47	0.63
Client Services	6.45	5.88	0.56
Consulting	6.36	5.69	0.67
Operations	6.38	5.85	0.53
Technology	5.85	5.50	0.36
Risk Management	5.94	5.62	0.32
Asset Safety	6.28	6.27	0.01
Trading and Execution	6.05	5.83	0.22
Delta 1, Swaps and Financing	5.96	5.86	0.09
Stock Borrowing and Lending	6.16	5.90	0.27
Foreign Exchange Prime Brokerage	6.48	5.94	0.54
OTC Clearing	6.42	5.98	0.44
Listed Derivatives	6.24	5.84	0.39
Average	6.23	5.83	0.40

Spread of Opinion (%)



Cowen Prime Services

This marks the fourth consecutive year where Cowen has improved on its services, achieving its best ever set of scores, as well as the highest average score (6.26) in the survey.

Cowen has also significantly scaled its business, after acquiring the prime brokerage division of Global Prime Partners in February, a move that would bolster its European and Asian presence. It also added several key personnel to its outsourced trading service and recruited industry veterans for its sales desks to help cater for smaller-sized hedge funds.

The firm outperforms the global average in almost every category, most notably in Consulting (6.57), Delta 1, Swaps and Financing (6.67), OTC Clearing (6.67), and Listed Derivatives (6.61).

Flattering comments for Cowen are spread across the board, where one hedge fund client says, “The Cowen team including senior management have not only been responsive but have also been very proactive in trying to offer and/or find solutions to some of our specific requirements.”

One client also heaps praise for its Trading and Execution (6.36): “Cowen is one of our primary trading counterparties and we have never had any significant issues with trading and execution even on our high trading volume days.”

However, Cowen surprisingly falls behind the global average in Capital Introduction (5.33), and several respondents believe improvements can be made in Technology (5.69). One user comments, “Their technology is adequate but I feel their real-time solutions could be improved to bring them up to par,” while another says the firm could “increase the security and functionality of their offering on par with the top rating of other areas. For example, would like to have a two-factor authentication security function for accessing accounts to protect unauthorized access.”

The global pandemic is a challenge for all prime brokers and their hedge fund clients, but Cowen’s efforts during this trying time will put it in good stead for next year’s survey.

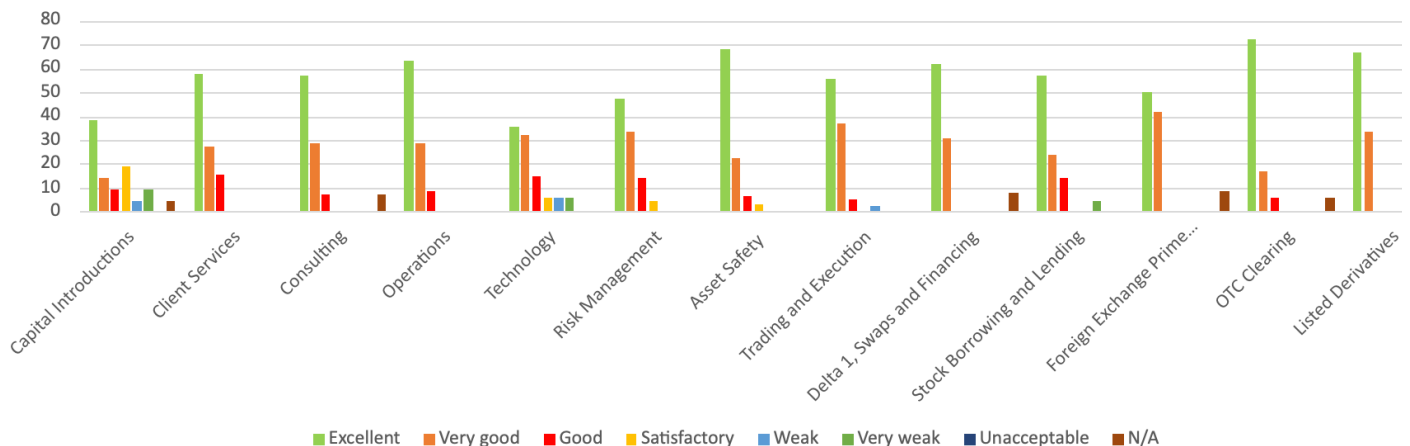
Category scores: annual comparison

Category	2020	2019	Difference
Capital Introductions	5.33	5.27	0.06
Client Services	6.36	5.92	0.44
Consulting	6.57	5.91	0.66
Operations	6.48	6.26	0.22
Technology	5.69	5.86	-0.17
Risk Management	6.17	6.18	-0.01
Asset Safety	6.44	6.46	-0.02
Trading and Execution	6.36	6.43	-0.07
Delta 1, Swaps and Financing	6.67	6.60	0.07
Stock Borrowing and Lending	6.04	6.06	-0.02
Foreign Exchange Prime Brokerage	6.55	n/a	n/a
OTC Clearing	6.67	n/a	n/a
Listed Derivatives	6.61	6.61	0.00
Average	6.26	6.16	0.10

Category scores relative to global benchmarks

Category	Average Score	Global Score	Difference vs Global
Capital Introductions	5.33	5.47	-0.14
Client Services	6.36	5.88	0.48
Consulting	6.57	5.69	0.88
Operations	6.48	5.85	0.63
Technology	5.69	5.50	0.20
Risk Management	6.17	5.62	0.56
Asset Safety	6.44	6.27	0.18
Trading and Execution	6.36	5.83	0.52
Delta 1, Swaps and Financing	6.67	5.86	0.81
Stock Borrowing and Lending	6.04	5.90	0.15
Foreign Exchange Prime Brokerage	6.55	5.94	0.60
OTC Clearing	6.67	5.98	0.69
Listed Derivatives	6.61	5.84	0.77
Average	6.26	5.83	0.44

Spread of Opinion (%)



Credit Suisse

Credit Suisse has improved on the number of respondents from last year's survey to give it a full analysis of its prime services business. This comes as the Swiss bank rejuvenates its prime services division in the US and Europe, where it has been able to increase the profitability of the business with less leverage.

The bank ranks in the top four for global market share among hedge fund clients and is also the top prime broker used in EMEA according to industry league tables.

Results are mixed with the bank's overall average score (5.18) placing it into the Good category (5.00-5.99). Its lowest rating came in Capital Introduction (4.73), where one client was particularly sceptical of the services on offer by prime brokers in general. "We have never really seen any capital introductions via prime brokers ever come to fruition."

Interestingly, the bank's highest score was recorded for FX Prime Brokerage (6.33), surpassing the global average by 39 basis points. One client says, "We are extremely happy with the service we receive. The one-on-one contact really helps a firm like ours that does not have a huge presence in the FX markets." Strengths also lie in Trading and Execution (5.63) and Delta 1, Swaps and Financing (5.44), where it made the most improvement in comparison to last year.

Credit Suisse also nearly achieved Very Good ratings for Consulting (5.90), which one client praised the PB as "outstanding", while another was particularly happy with their client services reps. "The Credit Suisse Client Service team truly set the standard for all other Prime Brokers to strive for. Our coverage team is the best on the street, from relationship management/sales, team leader, client service rep, stock loan and swap, corporate actions expert and back-up coverage," says the client.

Category scores: annual comparison			
Category	2020	2019	Difference
Capital Introductions	4.73	4.60	0.13
Client Services	5.11	4.93	0.18
Consulting	5.90	5.74	0.16
Operations	5.32	4.67	0.65
Technology	4.66	5.61	-0.95
Risk Management	4.60	5.70	-1.10
Asset Safety	5.55	5.62	-0.07
Trading and Execution	5.63	5.36	0.27
Delta 1, Swaps and Financing	5.44	4.71	0.73
Stock Borrowing and Lending	5.32	4.76	0.56
Foreign Exchange Prime Brokerage	6.33	5.87	0.46
OTC Clearing	5.20	5.60	-0.40
Listed Derivatives	4.68	4.92	-0.24
Average	5.18	5.10	0.08

Category scores relative to global benchmarks			
Category	Average Score	Global Score	Difference vs Global
Capital Introductions	4.73	5.47	-0.74
Client Services	5.11	5.88	-0.77
Consulting	5.90	5.69	0.21
Operations	5.32	5.85	-0.52
Technology	4.66	5.50	-0.84
Risk Management	4.60	5.62	-1.02
Asset Safety	5.55	6.27	-0.72
Trading and Execution	5.63	5.83	-0.21
Delta 1, Swaps and Financing	5.44	5.86	-0.42
Stock Borrowing and Lending	5.32	5.90	-0.57
Foreign Exchange Prime Brokerage	6.33	5.94	0.39
OTC Clearing	5.20	5.98	-0.78
Listed Derivatives	4.68	5.84	-1.16
Average	5.18	5.83	-0.65

Spread of Opinion (%)



Goldman Sachs

Goldman Sachs received a high number of respondents across its global client base in this year's survey.

It has established itself as the main prime broker for many of the world's largest fund managers. According to research firm Hedge Fund Alert, Goldman Sachs served as the primary or secondary prime broker for 1,902 hedge funds during the first quarter. However, last year it was overtaken by JP Morgan as the second largest prime broker by revenues, according to industry monitor Coalition. "We appreciate the partnership we have with Goldman Sachs and their Client Service team," says one of its US hedge fund clients.

The bank's highest score came in Asset Safety (6.38), where it outperformed the global average by just 12 basis points. It also notched up impressive results for Delta 1, Swaps and Financing (6.14), FX Prime Brokerage (6.08), Stock Borrowing and Lending (6.03), outperforming the global average in these categories.

One European client says they are pleased with their level of service for financing and trading, but that improvements are needed to compete with its other prime broker partners. "Goldman Sachs is very good in its rates, availability and stability of borrow, but a notch below our other prime brokers.... Goldman's competitiveness in its financing is very good, though slightly below our other prime brokers."

Goldman Sachs has also made enhancements to its Capital Introduction (5.86). Most recently, it released plans to move its prime business onto its flagship electronic platform Marquee, starting with the development of an electronic capital introduction service. This will provide hedge funds a new virtual way to connect with prospective institutional investors and could serve as a benchmark for the prime brokerage industry as many banks turn to digitalising their services. Whether this new way of matching investors and managers together will stick once normality returns is still to be confirmed.

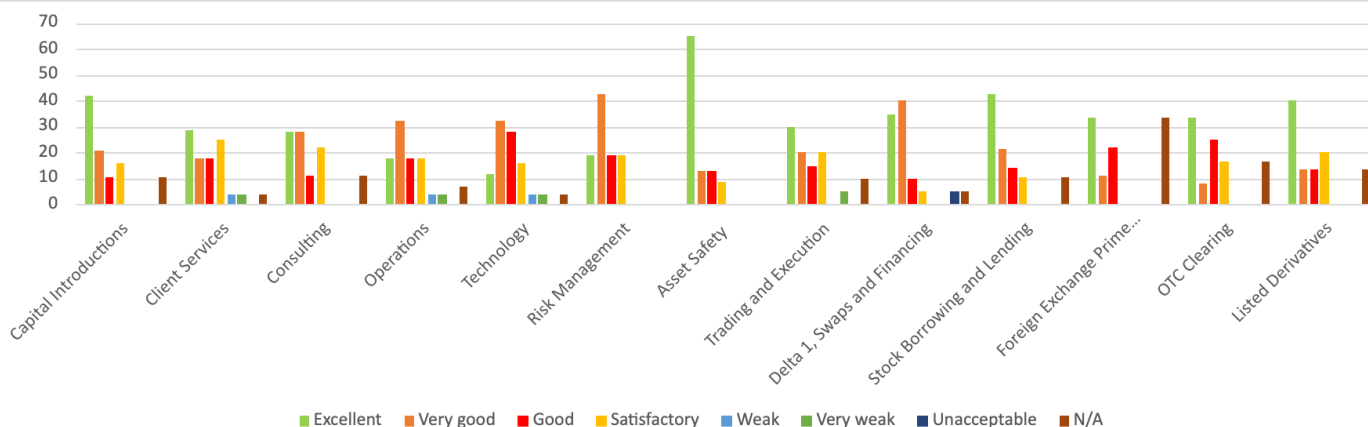
Category scores: annual comparison

Category	2020	2019	Difference
Capital Introductions	5.86	4.80	1.06
Client Services	5.22	4.79	0.43
Consulting	5.56	5.39	0.17
Operations	5.38	4.82	0.56
Technology	5.12	5.33	-0.21
Risk Management	5.49	5.62	-0.13
Asset Safety	6.38	6.16	0.22
Trading and Execution	5.66	5.02	0.64
Delta 1, Swaps and Financing	6.14	5.41	0.73
Stock Borrowing and Lending	6.03	5.60	0.43
Foreign Exchange Prime Brokerage	6.08	5.81	0.27
OTC Clearing	5.64	4.97	0.67
Listed Derivatives	5.84	5.12	0.72
Average	5.68	5.16	0.52

Category scores relative to global benchmarks

Category	Average Score	Global Score	Difference vs Global
Capital Introductions	5.86	5.47	0.38
Client Services	5.22	5.88	-0.66
Consulting	5.56	5.69	-0.13
Operations	5.38	5.85	-0.47
Technology	5.12	5.50	-0.38
Risk Management	5.49	5.62	-0.13
Asset Safety	6.38	6.27	0.12
Trading and Execution	5.66	5.83	-0.18
Delta 1, Swaps and Financing	6.14	5.86	0.28
Stock Borrowing and Lending	6.03	5.90	0.14
Foreign Exchange Prime Brokerage	6.08	5.94	0.13
OTC Clearing	5.64	5.98	-0.34
Listed Derivatives	5.84	5.84	0.00
Average	5.68	5.83	-0.15

Spread of Opinion (%)



JP Morgan

JP Morgan has been the closest firm to rival the duopoly held by its rivals Goldman Sachs and Morgan Stanley in the prime brokerage market. Last year, the business surpassed a \$500 billion milestone in prime brokerage balances, an increase of 25% year-on-year, and has achieved near-record levels across both its cash and synthetics business. “Next stop \$1 trillion,” JP Morgan’s co-heads of prime finance said in an internal memo last year.

Satisfaction across its different service functions appear to be fairly inconsistent among clients. Its strengths remain in OTC Clearing (6.38) and Listed Derivatives (6.00), where the business utilises the power of its investment bank. “JPM’s listed derivative business is intertwined with prime brokerage, everything is seamless from an execution and reporting perspective,” says a large European hedge fund client.

Clients are also relatively pleased with its capabilities across Trading and Execution (5.25), Delta 1, Swaps and Financing (5.56) and Stock Borrowing and Lending (5.74), which the bank has historically performed well on.

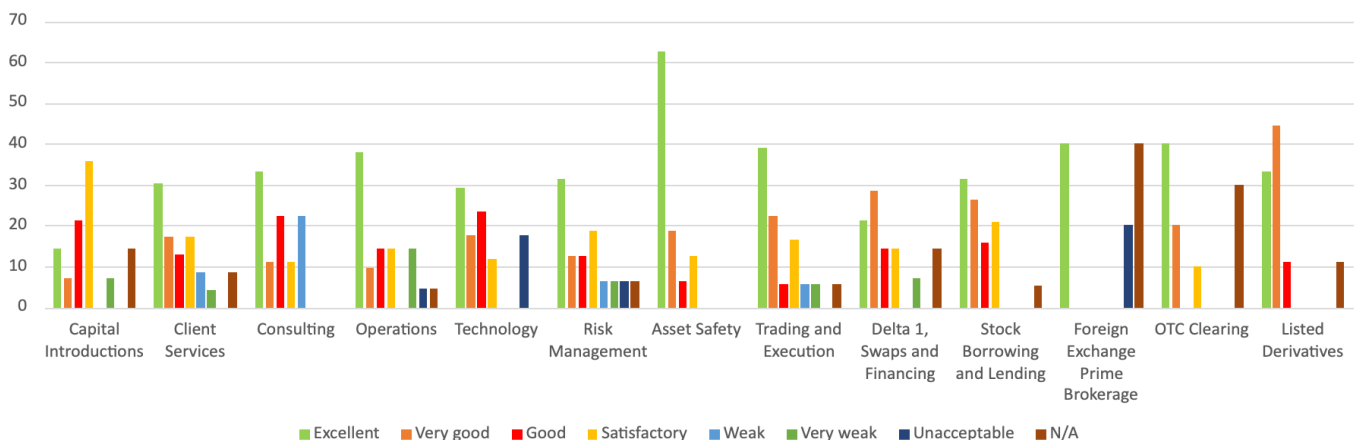
Yet it also falls short across Risk Management (4.79), Technology (4.77) and Capital Introductions (4.64), which, though not a cause for major client dissatisfaction, are rated merely Satisfactory (4.00-4.99). Its score for FX Prime Brokerage (5.00) was also brought down by one dissatisfied client. “We are extremely disappointed in the lack of personal service we receive from JPM, not being a big player in this market we expect a little more help which we don’t receive,” the client explains.

Opinions over Operations (5.04) are mixed among clients in different regions. One Asia-based hedge fund says, “JP Morgan’s systems are archaic. That brings some problems in trade matching, trade settlements, portfolio reporting, etc.” But another US-based client is positive: “Both the team and the technology make the job for our operations team much easier, and offer much needed transparency into trade bookings, settlements, and corporate actions.”

Category scores: annual comparison			
Category	2020	2019	Difference
Capital Introductions	4.64	4.25	0.39
Client Services	5.12	5.06	0.06
Consulting	5.18	5.86	-0.68
Operations	5.04	4.91	0.13
Technology	4.77	5.06	-0.29
Risk Management	4.79	5.19	-0.40
Asset Safety	6.23	6.37	-0.14
Trading and Execution	5.25	5.59	-0.34
Delta 1, Swaps and Financing	5.56	5.32	0.24
Stock Borrowing and Lending	5.74	5.90	-0.16
Foreign Exchange Prime Brokerage	5.00	5.15	-0.15
OTC Clearing	6.38	5.88	0.50
Listed Derivatives	6.00	5.88	0.12
Average	5.37	5.47	-0.10

Category scores relative to global benchmarks			
Category	Average Score	Global Score	Difference vs Global
Capital Introductions	4.64	5.47	-0.84
Client Services	5.12	5.88	-0.76
Consulting	5.18	5.69	-0.51
Operations	5.04	5.85	-0.80
Technology	4.77	5.50	-0.73
Risk Management	4.79	5.62	-0.82
Asset Safety	6.23	6.27	-0.03
Trading and Execution	5.25	5.83	-0.58
Delta 1, Swaps and Financing	5.56	5.86	-0.30
Stock Borrowing and Lending	5.74	5.90	-0.16
Foreign Exchange Prime Brokerage	5.00	5.94	-0.94
OTC Clearing	6.38	5.98	0.40
Listed Derivatives	6.00	5.84	0.16
Average	5.37	5.83	-0.45

Spread of Opinion (%)



Morgan Stanley

In many prior years, Morgan Stanley clients comprised by far the largest response sample in the Prime Brokerage survey. For the past few years, while still a significant group, it's number of respondents are now similar in size to many of the bank's traditional rivals among the bulge bracket firms, facilitating comparison with its peers.

This year, despite a small decline in scores in most categories, the bank again outperforms the global average overall. Only in the area of Foreign Exchange Prime Brokerage, is its score measurably below the global category average. By contrast it retains a substantial lead over many rivals in Risk Management, Technology, Delta One, Swaps and Financing, and Stock Borrowing and Lending. Of these, only Technology scores below 6.00, the threshold between Good and Very Good.

Whereas in 2019, Morgan Stanley recorded nine Very Good category ratings (6.00-6.99) out of 14, this year it has dropped to six. All the remaining service categories are, however, close to that threshold with the exception of Foreign Exchange Prime Brokerage, which has seen a 0.71 point drop to 5.25.

Client comments are all positive, with Cap Intro and Client Service coming in for particular praise. One Japanese client describes the bank as offering strong cap intro in all region, but says that the head of their Asian team, in particular "is probably the best Cap Intro person in Asia."

A US client, meanwhile, says Morgan Stanley hosts "very good events with excellent allocators that lead to substantive calls and meetings." The same client is particularly impressed with the San Francisco-based cap intro team.

With regard to Client Services, one respondent appreciates "the partnership we have with Morgan Stanley and their Client Service team", while another praises their "dedicated single contact point" as "most valuable."

Category scores: annual comparison			
Category	2020	2019	Difference
Capital Introductions	5.75	5.49	0.26
Client Services	6.09	6.18	-0.09
Consulting	5.94	6.33	-0.39
Operations	5.72	5.89	-0.17
Technology	5.89	6.03	-0.14
Risk Management	6.02	5.94	0.08
Asset Safety	6.42	6.58	-0.16
Trading and Execution	6.04	6.28	-0.24
Delta 1, Swaps and Financing	6.27	6.06	0.21
Stock Borrowing and Lending	6.23	6.10	0.13
Foreign Exchange Prime Brokerage	5.25	5.96	-0.71
OTC Clearing	5.95	6.14	-0.19
Listed Derivatives	5.81	6.55	-0.74
Average	5.94	6.15	-0.21

Category scores relative to global benchmarks			
Category	Average Score	Global Score	Difference vs Global
Capital Introductions	5.75	5.47	0.28
Client Services	6.09	5.88	0.21
Consulting	5.94	5.69	0.26
Operations	5.72	5.85	-0.13
Technology	5.89	5.50	0.39
Risk Management	6.02	5.62	0.41
Asset Safety	6.42	6.27	0.16
Trading and Execution	6.04	5.83	0.20
Delta 1, Swaps and Financing	6.27	5.86	0.41
Stock Borrowing and Lending	6.23	5.90	0.34
Foreign Exchange Prime Brokerage	5.25	5.94	-0.69
OTC Clearing	5.95	5.98	-0.03
Listed Derivatives	5.81	5.84	-0.03
Average	5.94	5.83	0.11

Spread of Opinion (%)



Nomura

At a macro level, many clients tell us Prime Brokerage is now being dominated by the US Banks as the European Banks gradually pull back,” Nomura notes in its provider submission to the survey. “Those Hedge Funds are looking for regional counterparty diversification by looking at alternative jurisdictions, including Japan.” The bank also identifies an up-tick in the standard of Treasury groups among the larger hedge funds and a greater appreciation of the value these groups bring.”

Some geographical shift is evident in this year’s response pool for Nomura. US clients account for 34% of the bank’s ratings, up from 22% last year, while clients from Asia make up 57%, down from 67% last year.

This may well have worked in Nomura’s favour in terms of ratings. Client assessments are notably more generous, taking the bank’s overall average into Very Good territory (6.15). Increases were recorded in all but three categories, where the declines were slight. Consulting and Operations saw the biggest rises (53 and 54 basis points respectively). “The personnel we have interfaced with at Nomura have taken the time to learn about our business and provided good advice as we grow our business,” said one US client. “Superior group operationally, especially with APAC and Europe,” says another.

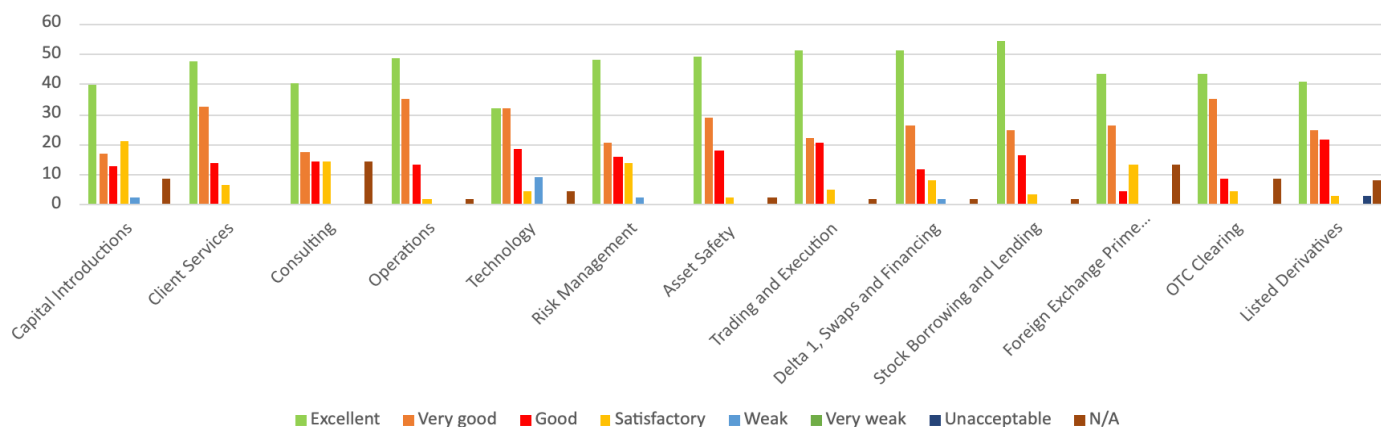
Nomura has also outperformed the global averages in all categories with the exception of Asset Safety, where its score of 6.22, commendable in itself, was a hair’s breadth short of the global average.

Client Service receives particular praise. “My customer representative provides the type of white glove customer relationship management that is rare to find,” says one medium-sized US-based respondent. “The client focused mentality of Nomura is palpable no matter which area of the Prime Broker we have interaction. As a medium-sized firm, we appreciate the responsiveness of their client services both on a daily basis and ongoing as we build the relationship over time.”

Category scores: annual comparison			
Category	2020	2019	Difference
Capital Introductions	5.75	5.48	0.27
Client Services	6.16	6.23	-0.07
Consulting	6.26	5.73	0.53
Operations	6.28	5.74	0.54
Technology	5.90	5.45	0.45
Risk Management	5.95	5.67	0.28
Asset Safety	6.22	6.03	0.19
Trading and Execution	6.27	6.39	-0.12
Delta 1, Swaps and Financing	6.22	6.36	-0.14
Stock Borrowing and Lending	6.30	6.17	0.13
Foreign Exchange Prime Brokerage	6.33	5.99	0.34
OTC Clearing	6.36	5.95	0.41
Listed Derivatives	6.02	5.51	0.51
Average	6.15	5.98	0.17

Category scores relative to global benchmarks			
Category	Average Score	Global Score	Difference vs Global
Capital Introductions	5.75	5.47	0.27
Client Services	6.16	5.88	0.28
Consulting	6.26	5.69	0.57
Operations	6.28	5.85	0.43
Technology	5.90	5.50	0.41
Risk Management	5.95	5.62	0.33
Asset Safety	6.22	6.27	-0.05
Trading and Execution	6.27	5.83	0.44
Delta 1, Swaps and Financing	6.22	5.86	0.35
Stock Borrowing and Lending	6.30	5.90	0.40
Foreign Exchange Prime Brokerage	6.33	5.94	0.39
OTC Clearing	6.36	5.98	0.38
Listed Derivatives	6.02	5.84	0.17
Average	6.15	5.83	0.33

Spread of Opinion (%)



Pershing | BNY Mellon

In the environment created by the pandemic, says Pershing, “Prime brokers began to see an increased demand for market colour, help with raising capital, access to data, and ongoing communication and connectivity. In times like these, hedge funds are looking to their prime brokers to provide strength and stability as their business models continue to evolve.” As a result, says the bank, investor needs have become both more basic and more sophisticated at the same time.

Whatever Pershing is doing, it seems to be more than meeting these needs, outperforming the global average in all service categories apart from Capital Introductions. The bank has, however, been working on its Cap Intro services and has increased its own year-on-year score in this area by 0.61 points, taking it into Good territory. “In April, our Cap Intro team kicked off our ‘Investor Flash Poll’ series to find out how the current environment is impacting allocators’ perspectives on particular strategies and appetite for deploying new capital,” says Pershing. “The results provide managers with up-to-the-minute insights so they can reassess their capital-raising strategies to fit the current investor mindset.”

These efforts have been recognised by some clients. “Pershing Prime cap intro has been very proactive in reaching out to assist us,” says one. “I am very impressed with the team and the introduction they can make; also with the industry updates and programs they offer.”

As a category, Client Services comes in for the most praise. “The Pershing team that handles our account is top notch,” says one manager. “They anticipate our needs and work very closely with us to help us work through some very complex situations. I consider the team at Pershing an extended partner of our firm.” Another points to the benefits of staff stability: “We’ve had the same client service representative for the past 10 years, which provides us with consistently good and reliable service.”

Spread of Opinion (%)



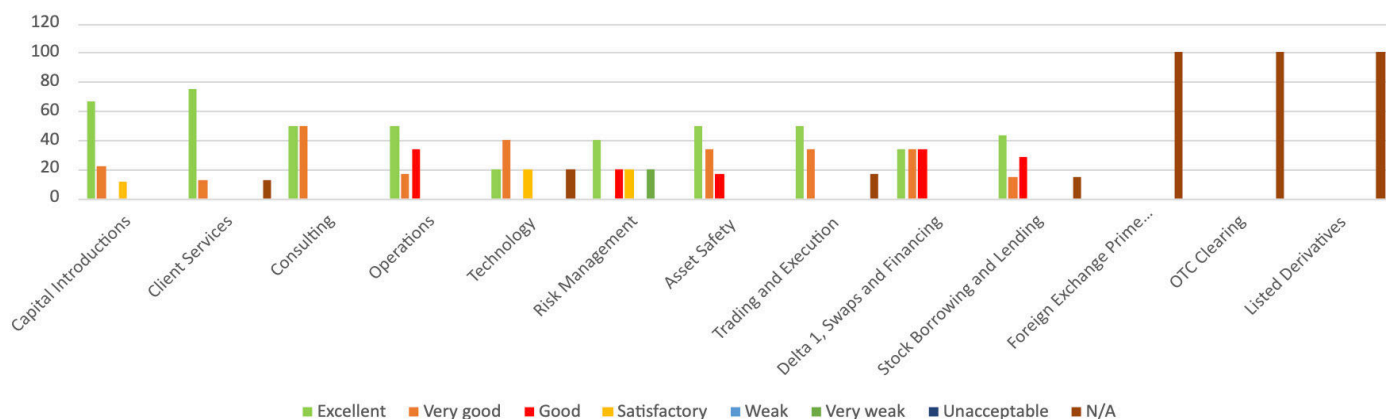
Category scores: annual comparison

Category	2020	2019	Difference
Capital Introductions	5.14	4.53	0.61
Client Services	6.42	6.36	0.06
Consulting	6.18	n/a	n/a
Operations	6.31	6.13	0.18
Technology	5.75	5.84	-0.09
Risk Management	5.98	5.38	0.60
Asset Safety	6.58	6.59	-0.01
Trading and Execution	5.90	6.18	-0.28
Delta 1, Swaps and Financing	6.05	4.97	1.08
Stock Borrowing and Lending	6.05	6.22	-0.17
Foreign Exchange Prime Brokerage	6.17	n/a	n/a
OTC Clearing	6.35	n/a	n/a
Listed Derivatives	6.42	5.46	0.96
Average	6.09	5.98	0.11

Category scores relative to global benchmarks

Category	Average Score	Global Score	Difference vs Global
Capital Introductions	5.14	5.47	-0.33
Client Services	6.42	5.88	0.54
Consulting	6.18	5.69	0.49
Operations	6.31	5.85	0.46
Technology	5.75	5.50	0.25
Risk Management	5.98	5.62	0.37
Asset Safety	6.58	6.27	0.31
Trading and Execution	5.90	5.83	0.07
Delta 1, Swaps and Financing	6.05	5.86	0.19
Stock Borrowing and Lending	6.05	5.90	0.15
Foreign Exchange Prime Brokerage	6.17	5.94	0.23
OTC Clearing	6.35	5.98	0.37
Listed Derivatives	6.42	5.84	0.58
Average	6.09	5.83	0.27

TD itself suggests that following the market volatility in March this year, a few criteria have become important: counterparty strength; stability of financing; asset class coverage beyond traditional equity long/short; and Cap Intro strength. "While our US business is a new entrant into the marketplace, we feel we are strongly positioned to take market share. We lead with balance sheet strength, service, and cap intro."



UBS

Like its Swiss counterpart, UBS returns with an increased number of respondents, enabling it to be given a fuller analysis of its prime services. Last year proved to be a difficult one for UBS as it was forced to make several layoffs across its equities division after announcing a global restructuring of its trading desks, which hit the US prime brokerage business particularly hard.

It still holds itself as a popular provider for hedge funds, increasing the number of managers on its prime brokerage from 650 to 670, according to Hedge Fund Alert, and ranks above European rivals, including Barclays and BNP Paribas.

The overall score for UBS (5.46) shows it is still valued by its hedge fund clients as a solid if unspectacular provider. Its best scores came across Risk Management (6.20), Trading and Execution (6.08), Delta 1, Swaps and Financing, FX Prime Brokerage, OTC Clearing and Asset Safety (6.00 each). In all of these categories with the exception of Asset Safety, the bank not only improved on last year's results, but also outperformed the global average.

"UBS' algos and trading coverage is exceptional although they could open more markets to electronic execution," says one US-based client about UBS' trading capabilities. Another client agrees, "Good swaps team, broad global reach, electronic execution, well integrated with their cash trading platform."

The bank has, however, recorded a big drop in satisfaction with its Consulting offering (4.00), one of its top scoring categories from last year's survey and falls below the global average in this area by 169 basis points. Its Technology (4.33) was also rated relatively harshly by clients, 116 basis points below the global average, with one US hedge fund explaining, "[UBS] has the highest number of reporting delays / system issues / booking errors among our three primes."

Category scores: annual comparison			
Category	2020	2019	Difference
Capital Introductions	5.42	4.89	0.53
Client Services	5.15	5.44	-0.29
Consulting	4.00	6.37	-2.37
Operations	5.25	4.52	0.73
Technology	4.33	5.54	-1.21
Risk Management	6.20	5.92	0.28
Asset Safety	6.00	6.53	-0.53
Trading and Execution	6.08	5.77	0.31
Delta 1, Swaps and Financing	6.00	5.77	0.23
Stock Borrowing and Lending	5.88	5.92	-0.04
Foreign Exchange Prime Brokerage	6.00	4.44	1.56
OTC Clearing	6.00	4.99	1.01
Listed Derivatives	5.00	5.64	-0.64
Average	5.46	5.41	0.05

Category scores relative to global benchmarks			
Category	Average Score	Global Score	Difference vs Global
Capital Introductions	5.42	5.47	-0.06
Client Services	5.15	5.88	-0.73
Consulting	4.00	5.69	-1.69
Operations	5.25	5.85	-0.60
Technology	4.33	5.50	-1.16
Risk Management	6.20	5.62	0.58
Asset Safety	6.00	6.27	-0.27
Trading and Execution	6.08	5.83	0.25
Delta 1, Swaps and Financing	6.00	5.86	0.14
Stock Borrowing and Lending	5.88	5.90	-0.02
Foreign Exchange Prime Brokerage	6.00	5.94	0.06
OTC Clearing	6.00	5.98	0.02
Listed Derivatives	5.00	5.84	-0.84
Average	5.46	5.82	-0.36

Spread of Opinion (%)



Wells Fargo

Eight years after Wells Fargo made its first foray into the prime brokerage business through its acquisition of Merlin Securities in 2012, it has built itself as a reputable and high-quality provider for hedge funds of all sizes.

The bank prides itself on its Client Service (6.29), which it continues to improve on last year's already impressive results. One happy US client remarks, "Wells strives to address any issues we have and resolve as quickly as possible. We have never had to escalate an issue and have never had outstanding issues." Adds a smaller-sized hedge fund client: "The Wells Fargo Client Service Team continues to provide us with outstanding service and is the main reason we continue our prime brokerage relationship."

Wells Fargo also receives similar plaudits for Operations (6.36). As one client explains, "Wells Fargo continues to provide us with a very high level of attention to detail (in an expedited manner) with regards to our operational requests. The high service levels we are provided in this area is extremely important for us."

The bank also receives a near perfect score for Asset Safety (6.74), where clients praise their technological security and capitalisation plan. While it also records impressive ratings for Stock Borrowing and Lending (6.31), one client believes there is room for improvement on charges in this area. "While the desk makes every effort, their rates on hard to borrows are consistently lagging others. Would love to see some improvement here," the client says.

The area where Wells Fargo most outperforms the global survey average of 5.83 is Trading and Execution (6.51). Recent enhancements to its electronic trading platform, Daytona, as well as launching an outsourced trading service for hedge funds, and a proactive approach have all helped it capture praise from clients. "We extensively rely upon and employ the Neovest system, which has functioned extremely well for us. Additionally, when high touch service is required, the Wells Fargo desk provides it seamlessly," says a client.

Category scores: annual comparison			
Category	2020	2019	Difference
Capital Introductions	5.63	5.08	0.55
Client Services	6.29	6.12	0.17
Consulting	5.65	6.30	-0.65
Operations	6.36	5.82	0.54
Technology	5.93	6.14	-0.21
Risk Management	6.15	6.37	-0.22
Asset Safety	6.74	6.77	-0.03
Trading and Execution	6.51	6.57	-0.06
Delta 1, Swaps and Financing	6.00	5.76	0.24
Stock Borrowing and Lending	6.31	6.33	-0.02
Foreign Exchange Prime Brokerage	6.29	n/a	n/a
OTC Clearing	6.33	6.06	0.27
Listed Derivatives	5.88	6.20	-0.32
Average	6.17	6.22	-0.05

Category scores relative to global benchmarks			
Category	Average Score	Global Score	Difference vs Global
Capital Introductions	5.63	5.47	0.15
Client Services	6.29	5.88	0.40
Consulting	5.65	5.69	-0.04
Operations	6.36	5.85	0.51
Technology	5.93	5.50	0.43
Risk Management	6.15	5.62	0.53
Asset Safety	6.74	6.27	0.48
Trading and Execution	6.51	5.83	0.67
Delta 1, Swaps and Financing	6.00	5.86	0.14
Stock Borrowing and Lending	6.31	5.90	0.41
Foreign Exchange Prime Brokerage	6.29	5.94	0.34
OTC Clearing	6.33	5.98	0.36
Listed Derivatives	5.88	5.84	0.03
Average	6.17	5.83	0.35

Spread of Opinion (%)

