



HFMWeek reveals the top 20 largest administrators, auditors, custodians for SEC-registered hedge funds in its latest quarterly update

WORDS BY ROB LANGSTON

The latest edition of the AlphaPipe-HFMWeek Service Provider Snapshot comes after a challenging second quarter for the hedge fund sector, with modest overall returns and a lull in new launches.

The industry saw assets grow by 3.7% during the second quarter, according to Hedge Fund Research, from \$2.7trn to \$2.8trn. Asset growth reflected small gains for hedge fund strategies, with the HFRI Fund Weighted Composite Index up by 2% during the three months to 30 June. Hedge fund launches were also muted with just 225 compared with 374 during the first quarter of the year.

“This year we’ve seen a lot of dispersion in return: different funds, even in the same strategy, performing differently,” says Stuart Feffer, co-head of Wells Fargo Global Fund Services. “I think this has been a difficult year for a lot of managers in that it’s been a difficult market to trade. Some people have been able to do okay, many haven’t.”

Coinciding with the hottest part of the year, the third quarter is usually the quietest for the industry, with few unexpected events likely.

There has been some M&A activity, however. French investment bank BNP Paribas announced it was to acquire the hedge fund administration business of Credit Suisse, turning it into a top 20 player instantly.

Q2	Q1	ADMINISTRATOR	FUNDS	% RAUM (\$BN)	%
1	= 1	CITCO	1,104	12.5%	929.2 18.2%
2	= 2	STATE STREET GLOBAL SERVICES	997	11.3%	908.4 17.8%
3	= 3	SS&C GLOBEOP	970	11.0%	821.8 16.1%
4	= 4	BANK OF NEW YORK MELLON/PNC	597	6.8%	408.1 8.0%
5	= 5	SEI	467	5.3%	122.1 2.4%
6	= 6	CITIGROUP	419	4.7%	220.6 4.3%
7	= 7	MORGAN STANLEY	255	2.9%	283.1 5.5%
8	= 8	NORTHERN TRUST	251	2.8%	279.0 5.5%
9	= 9	U.S. BANCORP	239	2.7%	74.5 1.5%
10	= 10	HEDGESERV	224	2.5%	107.6 2.1%
11	= 11	MITSUBISHI UFJ FINANCIAL GROUP	198	2.2%	93.9 1.8%
12	= 12	JPMORGAN CHASE	166	1.9%	93.5 1.8%
13	= 13	NAV CONSULTING	133	1.5%	9.0 0.2%
14	= 14	ALPS FUND SERVICES	128	1.4%	8.2 0.2%
15	▼ 16	UBS	126	1.4%	43.8 0.9%
16	▲ 15	JD CLARK & COMPANY	111	1.3%	6.5 0.1%
17	= 17	HSBC	108	1.2%	83.2 1.6%
18	▼ 19	ADMIRAL ADMINISTRATION	105	1.2%	17.2 0.3%
19	▲ 18	CONIFER GROUP/VASTARDIS	102	1.2%	46.7 0.9%
20	▲ NR	STONE COAST FUND SERVICES	94	1.1%	24.0 0.5%
TOP 20 TOTAL			6,794	76.8%	4,580.3 89.8%
TOTAL HF ADMIN RELATIONSHIPS			8,842	100%	5,101.5 100%
LESS: MULTIPLE ADMINS			119		125.7
TOTAL HFS ADMINISTERED			8,723		4,975.7
TOTAL HFS			11,305		5,539.2
% OF TOTAL HFS ADMINISTERED			77.2%		89.8%
TOTAL PRIVATE FUNDS			34,823		10,554.2
% OF TOTAL PFS ADMINISTERED			18,206	52.3%	7,403.2 70.1%

Q2	Q1	ADMINISTRATOR	RAUM (\$BN)	AVG RAUM (\$BN)
1	= 1	CITCO	929.2	0.8
2	= 2	STATE STREET GLOBAL SERVICES	908.4	0.9
3	= 3	SS&C GLOBEOP	821.8	0.8
4	= 4	BANK OF NEW YORK MELLON	408.1	0.7
5	= 5	MORGAN STANLEY	283.1	1.1
6	= 6	NORTHERN TRUST	279.0	1.1
7	= 7	CITIGROUP	220.6	0.5
8	= 8	SEI	122.1	0.3
9	▲ 12	HEDGESERV	107.6	0.5
10	▼ 9	WELLS FARGO	95.8	1.8
11	▼ 10	MITSUBISHI UFJ FINANCIAL GROUP	93.9	0.5
12	▼ 11	JPMORGAN CHASE	93.5	0.6
13	= 13	HSBC	83.2	0.8
14	= 14	BROWN BROTHERS HARRIMAN	78.2	1.3
15	= 15	U.S. BANCORP	74.5	0.3
16	= 16	HARMONIC FUND SERVICES	53.8	2.6
17	▲ 18	CREDIT SUISSE	52.7	0.6
18	▼ 17	CONIFER GROUP/VASTARDIS	46.7	0.5
19	= 19	UBS	43.8	0.3
20	= 20	STONE COAST FUND SERVICES	24.0	0.3
TOP 20 AVERAGE			241.0	0.8

ADMINISTRATORS

According to AlphaPipe, BNP Paribas had regulatory RAuM (RAuM) of \$7.6bn prior to the deal. Its planned acquisition of Credit Suisse will add \$52.7bn to the amount it administers, ranking BNP Paribas in 16th place. A spokesperson for BNP Paribas declined to comment on its aspirations for the hedge fund sector, but the deal should be transformational for the French bank.

Elsewhere in the admin space, Hedgeserv burst into the top 10 administrators after two big client wins pushed RAuM above the \$100bn mark.

HedgeServ CEO Jim Kelly says: "We're pleased to see our 25% growth in RAuM in a single quarter. This partially reflects our broader success with SEC-registered advisers in a number of roles, as well as our business outside the Snapshot related to shadow services provided to advisers, MAPs, public and corporate pension clients and endowments."

Well Fargo's Feffer says for larger mandates and admins, price is important but is rarely the deciding factor: "Other things will be much more important to the larger mandate: are you getting the right expertise, the right service, the right partner? That's much more important than a basis point."

Another transformational deal occurred in the auditor space. Shortly after the Q1 Snapshot was published, a

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STUART FEFFER, WELLS FARGO GLOBAL FUND SERVICES

long-rumoured deal between Rothstein Kass and KPMG came to fruition.

The partnership has seen the newly enlarged KPMG move to second place in the table by the number of funds audited, closing ground on EY. It now has \$991.6bn in RAuM, placing it a comfortable third by assets, behind EY and PricewaterhouseCoopers.

"From the first time we spoke about a potential transaction, we realised that we shared a common vision of what the capital markets will look like in the years ahead," said Howard Altman, partner in KPMG's Al-



DATA

\$60.3bn

Combined hedge fund RAuM for BNP Paribas / Credit Suisse SEC-registered admin business

Q2	Q1	AUDITOR	FUNDS	%	RAuM (\$BN)	%
1	= 1	ERNST & YOUNG (EY)	2,383	22.1%	2,012.7	36.5%
2	▲ 3	KPMG/ROTHSTEIN KASS	2,332	21.7%	991.6	18.0%
3	▼ 2	PRICEWATERHOUSECOOPERS (PWC)	2,319	21.5%	1,626.5	29.5%
4	= 4	DELOITTE	1,175	10.9%	474.5	8.6%
5	▲ 6	MCGLADREY	453	4.2%	59.7	1.1%
6	▲ 7	EISNERAMPER	315	2.9%	54.5	1.0%
7	▲ 8	GRANT THORNTON	243	2.3%	117.4	2.1%
8	▲ 9	BDO	218	2.0%	68.3	1.2%
9	▲ 10	SPICER JEFFRIES	105	1.0%	2.9	0.1%
10	▲ 11	COHNREZNICK	57	0.5%	6.7	0.1%
11	▲ 12	ANCHIN BLOCK & ANCHIN	46	0.4%	8.2	0.1%
12	▲ 13	MARCUM	45	0.4%	3.6	0.1%
13	▲ 14	ARTHUR BELL	44	0.4%	3.9	0.1%
14	▲ 15	JOSEPH DECOSIMO AND COMPANY	43	0.4%	6.1	0.1%
15	▲ 16	WALSH, JASTREM & BROWNE	38	0.4%	2.7	0.0%
16	▲ 17	RSM INTERNATIONAL	36	0.3%	10.3	0.2%
17	▲ 18	KAUFMAN ROSSIN	35	0.3%	2.2	0.0%
18	▲ 19	WEAVER	30	0.3%	1.4	0.0%
19	▲ NEW	COHEN FUND AUDIT SERVICES	28	0.3%	0.9	0.0%
20	= 20	UNTRACHT EARLY	28	0.3%	0.8	0.0%
TOP 20 TOTAL			9,973	92.6%	5,454.9	99.0%
TOTAL HF AUDITOR RELATIONSHIPS			10,765	100%	5,511.8	100%
LESS: MULTIPLE AUDITORS			19		3.7	
TOTAL HFS AUDITED			10,746		5,508.1	
TOTAL HFS			11,305			
% OF TOTAL HFS AUDITED				95.1%		
TOTAL PRIVATE FUNDS			34,823			
% OF TOTAL PFS AUDITED			29,957	86%	95.7%	

Q2	Q1	AUDITOR	RAuM (\$BN)	AVG RAuM (\$BN)
1	= 1	ERNST & YOUNG (EY)	2,012.7	0.84
2	= 2	PRICEWATERHOUSECOOPERS	1,626.5	0.70
3	= 3	KPMG/ROTHSTEIN KASS	991.6	0.43
4	= 4	DELOITTE	474.5	0.40
5	▲ 6	GRANT THORNTON	117.4	0.48
6	▲ 7	BDO	68.3	0.31
7	▲ 8	MCGLADREY	59.7	0.13
8	▲ 9	EISNERAMPER	54.5	0.17
9	▲ 10	WEISERMAZARS	12.0	0.50
10	▲ 12	RSM INTERNATIONAL	10.3	0.29
11	= 11	ANCHIN BLOCK & ANCHIN	8.2	0.18
12	▲ 13	COHNREZNICK	6.7	0.12
13	▲ 14	JOSEPH DECOSIMO AND COMPANY	6.1	0.14
14	▲ 15	ARTHUR BELL	3.9	0.09
15	▲ 16	MARCUM	3.6	0.08
16	▲ NEW	WITHUMSMITH+BROWN	3.3	0.13
17	= 17	SPICER JEFFRIES	2.9	0.03
18	= 18	HORTY & HORTY	2.8	0.56
19	= 19	WALSH, JASTREM & BROWNE	2.7	0.07
20	= 20	NAME NOT PROVIDED	2.7	0.17
TOP 20 AVERAGE			273.5	0.29

AUDITORS

“OUR COMBINED EXPERTISE ENHANCES THE SERVICES WE PROVIDE TO CLIENTS WHO ARE NAVIGATING THE REGULATORY AND BUSINESS COMPLEXITIES FACING THE ALTERNATIVE INVESTMENTS INDUSTRY”

” HOWARD ALTMAN, KPMG



\$645.3bn

Goldman Sachs remains top prime broker

ternative Investment Practice and former chairman of Rothstein Kass.

“Our combined expertise enhances the services we provide to clients who are navigating the regulatory and business complexities facing the alternative investments industry around the world – today and in the future.”

The takeover has seen a number of changes to the top auditors with a number of firms moving upwards to fill the gap left by Rothstein Kass. Grant Thornton was added to the top five by assets, while WithumSmith+Brown was a new entrant to the top 20.

In the prime broker space, Goldman Sachs retains its crown at the head of the top 20 players in the space,

METHODOLOGY

AlphaPipe’s ADV Data service includes more than 100,000 private fund vendor relationships. The Snapshot focuses on 10,993 hedge funds managing \$5trn in regulatory assets under management (RAuM). RAuM are not NAV and can vary significantly by strategy – most directly based on leverage given RAuM are most related to gross assets. These funds come from active registrations as of 30 June 2014. The AlphaPipe team has eliminated over-counting related to fund structure (excludes feeder funds), filing errors and vendor affiliates (counts a relationship with two offices of the same vendor only once). The Snapshot includes funds managed by both registered investment advisers and exempt reporting advisers, as well as both single manager funds and funds of funds. While extensive, the data is not comprehensive given a number of international fund managers do not make ADV filings and service providers often support non-adviser organisations such as public funds or corporate pensions. We have presented multiple views to address variability in firm structure – one large fund versus several smaller funds – that can impact a given vendor’s ranking. Given RAuM is only disclosed at the fund level and many funds use multiple prime brokers and custodians, we have presented RAuM two ways – Full Credit and equal Pro-Rata (based on the number of providers) to each vendor. RAuM figures are as full credit unless otherwise stated.

Q2	Q1	CUSTODIAN	FUNDS	%	RAuM (\$BN)	%
1	=	1 JPMORGAN CHASE	2,340	20.3%	1,242.8	14.7%
2	=	2 BANK OF NEW YORK MELLON	1,672	14.5%	1,419.6	16.8%
3	=	3 STATE STREET	782	6.8%	775.7	9.2%
4	=	4 BANK OF AMERICA MERRILL LYNCH	652	5.7%	458.4	5.4%
5	▲	6 GOLDMAN SACHS	419	3.6%	245.9	2.9%
6	▼	5 CITIGROUP	413	3.6%	642.4	7.6%
7	=	7 WELLS FARGO	344	3.0%	195.5	2.3%
8	=	8 DEUTSCHE BANK	324	2.8%	333.8	3.9%
9	=	9 NORTHERN TRUST	315	2.7%	217.3	2.6%
10	▲	11 U.S. BANCORP	285	2.5%	229.1	2.7%
11	▼	10 MORGAN STANLEY	278	2.4%	217.2	2.6%
12	=	12 UBS	259	2.2%	197.7	2.3%
13	=	13 CHARLES SCHWAB	195	1.7%	16.0	0.2%
14	=	14 HSBC	191	1.7%	407.3	4.8%
15	=	15 CITCO	190	1.6%	80.8	1.0%
16	=	16 CREDIT SUISSE	188	1.6%	245.6	2.9%
17	=	17 FIDELITY	166	1.4%	22.0	0.3%
18	=	18 FIRST REPUBLIC BANK	130	1.1%	81.0	1.0%
19	=	19 BARCLAYS	120	1.0%	309.4	3.7%
20	=	20 BROWN BROTHERS HARRIMAN	93	0.8%	113.8	1.3%
TOP 20 TOTAL			9,356	81.2%	7,451.5	88.1%
TOTAL INDEPENDENT CUSTODIAL RELATIONSHIPS			11,523	100%	8,458.4	100%
LESS: MULTIPLE INDEPENDENT CUSTODIANS			4,251		4,898.4	
TOTAL HFS WITH INDEPENDENT CUSTODIANS			7,272		3,560.0	
TOTAL HFS			11,305		5,539.2	
% OF TOTAL HFS WITH INDEPENDENT CUSTODIANS			64.3%			
TOTAL PRIVATE FUNDS			34,823		10,554.2	
FUNDS WITH INDEPENDENT CUSTODIANS			25,382	72.9%	7,760.0	73.5%

Q2	Q1	CUSTODIAN	RAuM (\$BN)*	AVG RAuM (\$BN)
1	=	1 BANK OF NEW YORK MELLON	732.8	0.44
2	=	2 JPMORGAN CHASE	651.9	0.28
3	=	3 STATE STREET	422.8	0.54
4	=	4 CITIGROUP	294.8	0.71
5	=	5 BANK OF AMERICA MERRILL LYNCH	140.5	0.22
6	=	6 HSBC	126.0	0.66
7	=	7 NORTHERN TRUST	117.4	0.37
8	=	8 DEUTSCHE BANK	101.5	0.31
9	=	9 BROWN BROTHERS HARRIMAN	94.9	1.02
10	=	10 CREDIT SUISSE	89.7	0.48
11	=	11 U.S. BANCORP	88.3	0.31
12	▲	14 BARCLAYS	76.9	0.64
13	=	13 WELLS FARGO	73.5	0.21
14	▼	12 GOLDMAN SACHS	65.8	0.16
15	▲	16 UBS	55.0	0.21
16	▼	15 MORGAN STANLEY	54.1	0.19
17	=	17 FIRST REPUBLIC BANK	34.8	0.27
18	=	18 CITCO	34.5	0.18
19	=	19 CHARLES, FREDERIC & CO.	18.8	0.32
20	=	20 PNC FINANCIAL SERVICES GROUP	18.3	0.35
TOP 20 AVERAGE			164.6	0.39

*PRO RATA



by assets and funds. However, there was some change among the top five, as Morgan Stanley overhauled Swiss rival Credit Suisse to take third place. In the latter half of the top 20, Nomura recorded strong growth in pro rata assets, moving up three places to 16th.

“Stability continues to reign in the prime broker rankings with only minor shuffling in the top 20,” says West Chapman, CEO of AlphaPipe. “Several top 20 brokers have more than 75% of their total funds falling into the less than \$100m category: Jefferies, BTIG, Interactive Brokers, Schwab and ConvergeX,” he adds.

Chapman says 56% of all funds with a prime broker had fewer than \$250m in RAuM, while 39% of all funds had RAuM of less than \$100m.

He adds the prime broker rankings remain consistent if you drill down the chain from larger to smaller funds. “The rankings were very consistent, with the larger movers being Jefferies – 92% of their funds were under \$250m – moving up from 12th in the broad rankings to ninth in the under \$250m.

“This stability holds for funds under \$100m – 4,711 funds or 39% of all funds with prime brokers – where the top six brokers maintain their relative rankings and the only new entrant to the top 10 remains Jefferies at ninth.”

The custodian space was little changed from the sec-



STABILITY CONTINUES TO REIGN IN THE PRIME BROKER RANKINGS WITH ONLY MINOR SHUFFLING IN THE TOP 20. SEVERAL TOP 20 BROKERS HAVE MORE THAN 75% OF THEIR TOTAL FUNDS FALLING INTO THE LESS THAN \$100M CATEGORY



WEST CHAPMAN, ALPHAPIPE

ond quarter’s Snapshot, reflecting the relative stability of the sector. The most notable change involved Barclays, which rose by two places in the rankings to 12th, swapping places with Goldman Sachs.

With half the year now behind us, all eyes will be focused on how the industry’s service providers shape up after the summer period and what further changes could be in store with more merger and acquisition activity possible.

Look out for the next edition of the AlphaPipe/HFM-Week Snapshot, later this year. ■



56%

of all hedge funds had RAuM of \$250m or less

Q2	Q1	PRIME BROKER	FUNDS	%	HFRAuM (\$BN)	%
1	= 1	GOLDMAN SACHS	2,226	18.6%	2,224.4	13.0%
2	= 2	MORGAN STANLEY	1,640	13.7%	2,139.6	12.5%
3	= 3	JPMORGAN CHASE	1,553	13.0%	2,039.4	11.9%
4	= 4	CREDIT SUISSE	1,150	9.6%	2,136.3	12.4%
5	= 5	DEUTSCHE BANK	817	6.8%	1,363.2	7.9%
6	= 6	UBS	774	6.5%	1,438.1	8.4%
7	= 7	BANK OF AMERICA MERRILL LYNCH	579	4.8%	1,402.6	8.2%
8	= 8	CITIGROUP	565	4.7%	888.3	5.2%
9	= 9	BARCLAYS	423	3.5%	1,099.5	6.4%
10	▲ 11	BNP PARIBAS	296	2.5%	437.4	2.5%
11	▼ 10	FIDELITY	291	2.4%	296.1	1.7%
12	= 12	JEFFERIES	237	2.0%	81.5	0.5%
13	= 13	BANK OF NEW YORK MELLON	222	1.9%	154.5	0.9%
14	= 14	WELLS FARGO	164	1.4%	15.8	0.1%
15	= 15	BTIG	130	1.1%	17.0	0.1%
16	▲ 17	INTERACTIVE BROKERS	119	1.0%	12.4	0.1%
17	▼ 16	NEWEDGE	106	0.9%	82.0	0.5%
18	= 18	HSBC	69	0.6%	138.6	0.8%
19	= 19	CHARLES SCHWAB	57	0.5%	8.1	0.0%
20	= 20	CONVERGEX GROUP	43	0.4%	1.7	0.0%
TOP 20 TOTAL			11,461	95.7%	15,976.6	93.0%
TOTAL PB RELATIONSHIPS			11,981	100%	17,175.8	100%
LESS: MULTIPLE PBS			5,680		12,972.1	
TOTAL FUNDS PRIME BROKERED			6,301		4,203.7	
TOTAL HFS (ALL SCHEDULE DS)			11,305		5,539.2	
% OF TOTAL HFS PRIME BROKERED			55.7%			
ALL PRIVATE FUNDS			34,823		10,554.2	
TOTAL FUNDS PRIME BROKERED			7,424	21.3%	4,467.3	42.3%

Q2	Q1	PRIME BROKER	RAuM (\$BN)*	HF RAuM (\$BN)
1	= 1	GOLDMAN SACHS	645.3	0.29
2	= 2	JPMORGAN CHASE	622.6	0.40
3	▲ 4	MORGAN STANLEY	548.0	0.33
4	▼ 3	CREDIT SUISSE	540.7	0.47
5	= 5	UBS	326.7	0.42
6	= 6	BANK OF AMERICA MERRILL LYNCH	311.2	0.54
7	= 7	DEUTSCHE BANK	273.9	0.34
8	= 8	BARCLAYS	251.8	0.60
9	= 9	CITIGROUP	218.9	0.39
10	= 10	BNP PARIBAS	83.2	0.28
11	= 11	FIDELITY	66.9	0.23
12	= 12	BANK OF NEW YORK MELLON	41.4	0.19
13	▲ 16	NOMURA	31.0	0.86
14	▼ 13	MBSCC	30.2	30.24
15	▼ 14	NEWEDGE	29.6	0.28
16	▼ 15	JEFFERIES	25.8	0.11
17	= 17	HSBC	23.3	0.34
18	= 18	CITADEL	17.0	1.89
19	= 19	RBS	14.4	0.63
20	= 20	WELLS FARGO	11.6	0.07
TOP 20 AVERAGE			205.7	1.94

*PRO RATA

PRIME BROKERS

PRIME BROKERS: FUNDS LESS THAN \$500M

Q2	BY FUND	FUNDS	%	(\$BN)	%
1	GOLDMAN SACHS	1,591	19.3%	213.3	20.5%
2	MORGAN STANLEY	1,112	13.5%	154.0	14.8%
3	JPMORGAN CHASE	1,001	12.1%	139.8	13.5%
4	CREDIT SUISSE	704	8.5%	104.8	10.1%
5	UBS	515	6.2%	71.6	6.9%
6	DEUTSCHE BANK	513	6.2%	70.0	6.7%
7	CITIGROUP	368	4.5%	46.7	4.5%
8	BANK OF AMERICA MERRILL LYNCH (BOAML)	366	4.4%	47.9	4.6%
9	BARCLAYS	241	2.9%	35.5	3.4%
10	JEFFERIES	226	2.7%	15.0	1.4%
11	FIDELITY	213	2.6%	25.0	2.4%
12	BNP PARIBAS	212	2.6%	22.0	2.1%
13	BANK OF NEW YORK MELLON	177	2.1%	16.9	1.6%
14	WELLS FARGO	160	1.9%	12.4	1.2%
15	BTIG	126	1.5%	6.8	0.7%
16	INTERACTIVE BROKERS	116	1.4%	6.5	0.6%
17	NEWEDGE	77	0.9%	8.2	0.8%
18	CHARLES SCHWAB	53	0.6%	3.2	0.3%
19	CONVERGEX GROUP	43	0.5%	1.7	0.2%
20	HSBC	36	0.4%	7.5	0.7%
TOP 20 TOTAL		7,850	95.1%	1,008.9	97.1%
TOTAL PB RELATIONSHIPS		8,251	100.0%	1,039.0	100.0%
LESS: MULTIPLE PBS		3,174		511.3	
TOTAL HFS BELOW \$500M PRIME BROKERED		5,077		527.7	