



Large moves in prime brokerage and custody services see provider tables changing in the first quarter

BY SAM MACDONALD

While recent studies have shown little movement in most of the categories, 2016's first quarter installment of the *HFMWeek/AlphaPipe* Service Provider Snapshot has shown a relatively large amount of change.

The three-month period was a tough one for hedge funds as the HFRX Global Hedge Fund Index fell -1.9%, marking its worst start to a year since the beginning of 2008.

According to AlphaPipe data taken from funds' quarterly Form ADV filings with the SEC, prime brokerage and custody services have witnessed the most movement, with some firms experiencing large losses of funds and others attracting swathes of new business.

JP Morgan has seen large drops in its custodial services and its prime brokerage, with its competitors appearing to have taken advantage of the recently discarded business.

In total, the bank has dropped 824 hedge funds from its custody services as its fund count fell to 1,692 from 2,516.

The drops see JPM fall from the top of the custodial table for the first time since the *HFMWeek/AlphaPipe* Service Provider Snapshot was launched in 2014.

Q1	ADMINISTRATOR	FUNDS	% MARKET SHARE	RAuM (\$BN)	% MARKET SHARE
1	- SS&C GLOBEOP/CITIGROUP	1,387	14.5%	1,166.0	20.4%
2	- CITCO	1,186	12.4%	1,082.5	18.9%
3	- STATE STREET GLOBAL FUND SERVICES	1,077	11.3%	1,026.6	17.9%
4	▲ SEI	543	5.7%	162.1	2.8%
5	▼ BANK OF NEW YORK MELLON	538	5.6%	454.7	7.9%
6	- MUFG INVESTOR SERVICES	412	4.3%	189.5	3.3%
7	▲ MORGAN STANLEY	319	3.3%	333.9	5.8%
8	▼ NORTHERN TRUST	315	3.3%	323.6	5.7%
9	- US BANCORP	294	3.1%	94.0	1.6%
10	- HEDGESERV	284	3.0%	151.2	2.6%
11	▲ NAV CONSULTING	228	2.4%	12.6	0.2%
12	▼ JP MORGAN CHASE	220	2.3%	104.0	1.8%
13	- UMB	145	1.5%	14.8	0.3%
14	- STONE COAST FUND SERVICES	135	1.4%	35.0	0.6%
15	▲ ALPS FUND SERVICES	128	1.3%	9.0	0.2%
16	▼ KAUFMAN ROSSIN	122	1.3%	15.0	0.3%
17	▼ BNP PARIBAS/CREDIT SUISSE	118	1.2%	65.8	1.1%
18	- HSBC	105	1.1%	73.4	1.3%
19	NEW APEX FUND SERVICES	87	0.9%	9.7	0.2%
20	- DEUTSCHE BANK	85	0.9%	18.8	0.3%
TOP 20 TOTAL		7,728	80.8%	5,342.3	93.3%
TOTAL HF ADMIN RELATIONSHIPS		9,561	100.0%	5,726.6	100.0%
LESS: MULTIPLE ADMINS		104		134.1	
TOTAL HFS ADMINISTERED		9,457		5,592.4	
TOTAL HFS (ALL SCHEDULE DS)		11,881		6,174.4	
% OF TOTAL HFS ADMINISTERED		79.6%		90.6%	
ALL PRIVATE FUNDS ADMINISTERED		41,765		11,941.5	
		21,542	51.6%	8,311.4	69.6%

Q1	ADMINISTRATOR	RAuM (\$BN)*	AVG FUND RAuM (\$BN)
1	- SS&C GLOBEOP/CITIGROUP	1,166.0	0.84
2	▲ CITCO	1,082.5	0.91
3	▼ STATE STREET GLOBAL FUND SERVICES	1,026.6	0.95
4	- BANK OF NEW YORK MELLON	454.7	0.85
5	▲ MORGAN STANLEY	333.9	1.05
6	▼ NORTHERN TRUST	323.6	1.03
7	- MUFG INVESTOR SERVICES	189.5	0.46
8	- SEI	162.1	0.30
9	- HEDGESERV	151.2	0.53
10	▲ JP MORGAN CHASE	104.0	0.47
11	▲ US BANCORP	94.0	0.32
12	▲ HSBC	73.4	0.70
13	- BROWN BROTHERS HARRIMAN	69.8	0.93
14	▲ BNP PARIBAS/CREDIT SUISSE	65.8	0.56
15	▲ HARMONIC FUND SERVICES	48.3	3.72
16	▼ WELLS FARGO	46.3	1.01
17	▲ STONE COAST FUND SERVICES	35.0	0.26
18	NEW DUQUESNE FUND SERVICES	19.8	2.83
19	NEW DEUTSCHE BANK	18.8	0.22
20	▼ MAITLAND GROUP	15.2	0.18
AVERAGE		274.0	0.91

*EQUAL PRO RATA (SEE METHODOLOGY)

ADMINISTRATORS

ANALYSIS SERVICE PROVIDER SNAPSHOT

The total number of funds it provides prime brokerage for fell -8.3% to 1,507, down from 1,643 at the end of December although its prime broker RAuM rose 2% to \$2.28trn over the quarter.

Sources close to the firm point to the closure of JP Morgan's broker-dealer unit Broker Dealer Services, which it announced in 2014 with many contractual obligations running until the end of 2015.

But while the bank has shed a large numbers of custodian clients, other banks have seen big increases. Northern Trust acquired 310 new clients in its custody services, taking its total client base up 58.5% to 840 and moving from seventh to fifth in the rankings.

For its part, Northern Trust's custodian RAuM rose 80.7% over the period, up to \$1.3trn from \$720.6bn at the end of the fourth quarter.

"We're pleased to deepen our services and relationships in the hedge fund sector as we strategically respond with administration, custody and regulatory service solutions for funds facing heightened regulatory and institutional investor demands," said Peter Sanchez, head of Northern Trust Hedge Fund Services.

Wells Fargo also benefited after adding 124 hedge funds to its roster, taking its total to 597, an increase of 26.2% over the three months as its custodian AuM rose 26.5% to \$968.6bn, up from \$765.9bn 12 months prior.



WE'RE PLEASED TO DEEPEN OUR SERVICES AND RELATIONSHIPS IN THE HEDGE FUND SECTOR AS WE STRATEGICALLY RESPOND WITH ADMINISTRATION, CUSTODY AND REGULATORY SERVICE SOLUTIONS FOR FUNDS FACING HEIGHTENED REGULATORY AND INSTITUTIONAL INVESTOR DEMANDS



PETER SANCHEZ, NORTHERN TRUST HEDGE FUND SERVICES

In the prime brokerage rankings, four out of the top five saw a decrease in the number of funds they service. Goldman Sachs remained top of the pile despite a fall of 42 funds (-1.9%) to 2,206, down from 2,248 at the end of Q4.

Despite the fall, Goldman's prime broker assets rose 1% to \$2.52trn, up from \$2.49trn three months earlier.

Credit Suisse took fourth place, as the Swiss group's prime broker fund count fell by some 147 funds, marking a -12.6% drop in its total, which meant a -5.1% fall in its brokerage assets to \$2.26trn, down from \$2.39trn over the three months.



DATA

2,588

EY remains top auditor in funds and RAuM

Q1	AUDITOR	FUNDS	% MARKET SHARE	RAuM (\$BN)	% MARKET SHARE
1	- EY	2,588	22.8%	2,383.3	39.0%
2	- PWC	2,524	22.3%	1,766.7	28.9%
3	- KPMG	2,155	19.0%	940.5	15.4%
4	- DELOITTE	1,302	11.5%	565.4	9.3%
5	- RSM	461	4.1%	62.8	1.0%
6	- EISNERAMPER	376	3.3%	62.7	1.0%
7	- GRANT THORNTON	262	2.3%	152.0	2.5%
8	- BDO	247	2.2%	59.1	1.0%
9	- SPICER JEFFRIES	139	1.2%	4.5	0.1%
10	▲ ARTHUR BELL	66	0.6%	3.9	0.1%
11	▲ MARCUM	59	0.5%	13.6	0.2%
12	▼ ELLIOT DAVIS DECOSIMO	58	0.5%	7.7	0.1%
13	▼ COHNREZNICK	55	0.5%	11.1	0.2%
14	▲ ANCHIN BLOCK & ANCHIN	51	0.5%	6.8	0.1%
15	▼ WITHUMSMITH+BROWN	47	0.4%	7.5	0.1%
16	- CITRIN COOPERMAN	43	0.4%	1.2	0.0%
17	- WEAVER	36	0.3%	1.6	0.0%
18	▲ COHEN FUND AUDIT SERVICES	32	0.3%	1.8	0.0%
19	NEW DEMETRIUS BERKOWER	31	0.3%	1.0	0.0%
20	▼ KAUFMAN ROSSIN	29	0.3%	1.7	0.0%

TOP 20 TOTAL	10,561	93.2%	6,055.0	99.1%
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TOTAL HF AUDITOR RELATIONSHIPS	11,327	100.0%	6,109.0	100.0%
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LESS: MULTIPLE AUDITORS	24		3.4	
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TOTAL HFS AUDITED	11,303		6,105.6	
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TOTAL HFS (ALL SCHEDULE DS)	11,881		6,174.4	
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% OF TOTAL FUNDS AUDITED	95.1%		98.9%	
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ALL PRIVATE FUNDS	41,765		11,941.5	
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AUDITED	34,381	82.3%	11,277.4	94.4%
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Q1	AUDITOR	RAuM (\$BN)	AVG FUND RAuM (\$BN)
1	- EY	2,383.3	0.92
2	- PWC	1,766.7	0.70
3	- KPMG	940.5	0.44
4	- DELOITTE	565.4	0.43
5	- GRANT THORNTON	152.0	0.58
6	- RSM	62.8	0.14
7	▲ EISNERAMPER	62.7	0.17
8	▼ BDO	59.1	0.24
9	▲ MARCUM	13.6	0.23
10	▼ COHNREZNICK	11.1	0.20
11	▲ WEISERMAZARS	8.3	0.44
12	▼ ELLIOT DAVIS DECOSIMO	7.7	0.13
13	▼ WITHUMSMITH+BROWN	7.5	0.16
14	▼ ANCHIN BLOCK & ANCHIN	6.8	0.13
15	NEW BAKER TILLY INTERNATIONAL	6.2	0.24
16	▼ SPICER JEFFRIES	4.5	0.03
17	▲ ARTHUR BELL	3.9	0.06
18	▼ RAINES & FISCHER	3.3	0.25
19	▼ HORTY & HORTY	3.2	0.63
20	▼ MAYER HOFFMAN MCCANN	3.0	0.11

AVERAGE	303.6	0.31
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AUDITORS

“ AS THE INDUSTRY BECOMES MORE COMPETITIVE, FORWARD-LOOKING MANAGERS ARE UNDERSTANDING THAT THEY NEED TO BE MORE OPERATIONALLY ADEPT IN ORDER TO COMPETE EFFECTIVELY

” STEVE MEYER, SEI INVESTMENT SERVICES



\$1.3trn

Northern Trust's custodian RAuM, up 80.7%

Second-placed Morgan Stanley was the only gainer out of the top five primes, adding 32 funds (1.8%) to its count, increasing numbers to 1,846, up from 1,814 at the end of December. This meant a 1.2% rise in its broker assets, up to \$2.44trn.

BNY Mellon/Pershing, Wells Fargo and Interactive Brokers were the biggest winners in the prime brokerage ranks. BNY increased its fund count by 38 funds, up 16.6% to 267 from 229 from three months earlier, as regulatory assets more than doubled to \$376.7bn from \$158.1bn.

Wells Fargo increased its number of funds to 248, a rise of 19.2% as RAuM rocketed to \$133bn, rising from \$36bn over the quarter.

METHODOLOGY

AlphaPipe's ADV Data service includes more than 100,000 private fund vendor relationships. The Snapshot focuses on 11,990 hedge funds managing \$6.2trn 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 31 March. 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.

Q1	CUSTODIAN	FUNDS	% MARKET SHARE	RAuM (\$BN)	% MARKET SHARE
1	▲ BANK OF NEW YORK MELLON	2,236	14.2%	3,034.0	14.6%
2	▼ JP MORGAN CHASE	1,692	10.8%	1,705.9	8.2%
3	- STATE STREET	1,093	6.9%	1,817.8	8.8%
4	- BANK OF AMERICA MERRILL LYNCH	881	5.6%	984.2	4.7%
5	▲ NORTHERN TRUST	840	5.3%	1,302.0	6.3%
6	▼ CITIGROUP	643	4.1%	1,199.4	5.8%
7	▲ WELLS FARGO	597	3.8%	968.6	4.7%
8	▼ GOLDMAN SACHS	581	3.7%	681.0	3.3%
9	- DEUTSCHE BANK	531	3.4%	546.2	2.6%
10	- MORGAN STANLEY	455	2.9%	573.6	2.8%
11	- US BANCORP	408	2.6%	340.1	1.6%
12	▲ FIRST REPUBLIC BANK	402	2.6%	159.8	0.8%
13	- HSBC	340	2.2%	995.6	4.8%
14	▼ UBS	319	2.0%	308.6	1.5%
15	▲ CITCO	299	1.9%	238.5	1.1%
16	▼ CREDIT SUISSE	253	1.6%	312.5	1.5%
17	- FIDELITY/NATIONAL FINANCIAL SERVICES	197	1.3%	111.6	0.5%
18	▲ BARCLAYS	174	1.1%	592.5	2.9%
19	▼ CHARLES SCHWAB	174	1.1%	14.8	0.1%
20	- BNP PARIBAS	151	1.0%	248.1	1.2%

TOP 20 TOTAL	12,266	78.0%	16,134.8	77.7%
TOTAL INDEPENDENT CUSTODIAL RELATIONSHIPS	15,732	100.0%	20,761.0	100.0%
LESS: MULT. INDEPENDENT CUSTODIANS	6,702		15,213.4	
TOTAL HFS WITH INDEPENDENT CUSTODIANS	9,030		5,547.6	
TOTAL HFS (ALL SCHEDULE DS)	11,881		6,174.4	
% OF TOTAL HFS WITH INDEPENDENT CUSTODIANS	76.0%		89.8%	
ALL PRIVATE FUNDS	41,765		11,941.5	
FUNDS WITH INDEPENDENT CUSTODIANS	31,768	76.1%	10,577.9	88.6%

Q1	CUSTODIAN	RAuM (\$BN)*	AVG FUND RAuM (\$BN)
1	- BANK OF NEW YORK MELLON	1,220.1	0.55
2	▲ STATE STREET	741.7	0.68
3	▼ JP MORGAN CHASE	568.9	0.34
4	▲ NORTHERN TRUST	417.5	0.50
5	▲ CITIGROUP	268.0	0.42
6	▼ HSBC	244.8	0.72
7	▲ WELLS FARGO	232.5	0.39
8	▼ BANK OF AMERICA MERRILL LYNCH	214.8	0.24
9	- GOLDMAN SACHS	140.0	0.24
10	▲ DEUTSCHE BANK	115.9	0.22
11	▼ BARCLAYS	114.5	0.66
12	▼ MORGAN STANLEY	110.4	0.24
13	▲ CITCO	95.7	0.32
14	- US BANCORP	92.6	0.23
15	▼ BROWN BROTHERS HARRIMAN	80.7	0.69
16	▲ FIRST REPUBLIC BANK	73.5	0.18
17	▼ UBS	65.2	0.20
18	▼ CREDIT SUISSE	49.6	0.20
19	- BNP PARIBAS	48.7	0.32
20	NEW BUTTERFIELD	34.0	0.36

AVERAGE	246.5	0.38
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*EQUAL PRO RATA (SEE METHODOLOGY)

CUSTODIANS

ANALYSIS SERVICE PROVIDER SNAPSHOT

Interactive Brokers also added 40 funds, a rise of 23.3% as assets jumped 12.8% to \$25bn from \$22.2bn.

In the administration stakes, SEI was the big winner. It added 47 funds, a 9.5% rise, taking its total to 543 and increasing RAuM by 11.5% to \$162.1bn, up from \$145.3 at the beginning of the quarter.

“As the industry continues to become more competitive and is under greater scrutiny from investors and regulators alike, forward-looking managers are understanding that they need to be more operationally adept in order to compete effectively,” says SEI Investment Manager Services president Steve Meyer.

Table-topper SS&C saw a -3.4% drop in its fund count as its total fell by 49 to 1,387 from 1,436 and assets dropped -2% to \$1.17trn, down from \$1.19trn.

Apex Fund Services was a new entrant into the top 20 administrators according to hedge funds’ SEC filings, moving into 19th position with 87 funds and RAuM of \$9.7bn.

“We have seen a significant amount of business transitioning to Apex over the past year, predominantly from the large bank-owned administrators. The development of our specialist private equity and real estate accounting teams in key centres around the world means we are able to deliver tailored services and technologies to managers in this sector; the result

“ WE HAVE SEEN A SIGNIFICANT AMOUNT OF BUSINESS TRANSITIONING TO APEX OVER THE PAST YEAR, PREDOMINANTLY FROM THE LARGE BANK-OWNED ADMINISTRATORS

” DENNIS WESTLEY, APEX FUND SERVICES NORTH AMERICA

has been the addition of larger funds to our client base and 35% growth annually for Apex in this asset class,” says Apex Fund Services North America managing director Dennis Westley.

In the audit table four out of the top five saw decreases in their fund counts. Notably, KPMG saw a decrease of 83 funds (-3.7%) taking its total to 2,155 from 2,238 as assets at the firm fell -6.7% to \$940.5bn, down from \$1trn over the quarter.

Nevertheless, the big four accountancy firms continue to enjoy domination of the space with a combined market share of 75.6%. ■



\$2.52trn

Goldman Sachs remains top of the prime broker table

Q1	PRIME BROKER	FUNDS	% MARKET SHARE	RAuM (\$BN)	% MARKET SHARE
1	- GOLDMAN SACHS	2,206	17.7%	2,518.9	11.6%
2	- MORGAN STANLEY	1,846	14.8%	2,442.8	11.2%
3	- JP MORGAN CHASE	1,507	12.1%	2,278.8	10.5%
4	- CREDIT SUISSE	1,018	8.2%	2,262.8	10.4%
5	- DEUTSCHE BANK	796	6.4%	1,731.9	8.0%
6	- UBS	735	5.9%	1,630.0	7.5%
7	- BANK OF AMERICA MERRILL LYNCH	658	5.3%	1,840.8	8.5%
8	- CITIGROUP	598	4.8%	1,413.4	6.5%
9	- BARCLAYS	395	3.2%	1,579.3	7.3%
10	- BNP PARIBAS	314	2.5%	773.1	3.6%
11	- FIDELITY/NATIONAL FINANCIAL SERVICES	313	2.5%	380.9	1.8%
12	▲ BANK OF NEW YORK MELLON/PERSHING	267	2.1%	376.7	1.7%
13	▲ WELLS FARGO	248	2.0%	133.0	0.6%
14	▼ JEFFERIES	231	1.9%	91.9	0.4%
15	- INTERACTIVE BROKERS	212	1.7%	25.0	0.1%
16	- BTIG	157	1.3%	14.7	0.1%
17	- SOCIETE GENERALE/NEWEDGE	123	1.0%	155.4	0.7%
18	▲ CONVERGEX GROUP	67	0.5%	2.4	0.0%
19	▼ HSBC	66	0.5%	244.1	1.1%
20	▼ CHARLES SCHWAB	57	0.5%	7.0	0.0%
TOP 20 TOTAL		11,814	94.8%	19,902.8	91.6%
TOTAL PB RELATIONSHIPS		12,457	100.0%	21,737.7	100.0%
LESS: MULTIPLE PBS		5,991		17,064.1	
TOTAL HFS PRIME BROKERED		6,466		4,673.7	
TOTAL HFS (ALL SCHEDULE DS)		11,881		6,174.4	
% OF TOTAL HFS PRIME BROKERED		54.4%		75.7%	
ALL PRIVATE FUNDS		41,765		11,941.5	
TOTAL FUNDS PRIME BROKERED		7,882	18.9%	4,968.0	41.6%

Q1	PRIME BROKER	RAuM (\$BN)*	AVG FUND RAuM (\$BN)
1	- GOLDMAN SACHS	679.4	0.31
2	- JP MORGAN CHASE	664.8	0.44
3	- MORGAN STANLEY	621.7	0.34
4	- CREDIT SUISSE	516.6	0.51
5	▲ BANK OF AMERICA MERRILL LYNCH	348.4	0.53
6	▼ DEUTSCHE BANK	329.5	0.41
7	- UBS	322.3	0.44
8	- BARCLAYS	295.5	0.75
9	- CITIGROUP	286.1	0.48
10	- BNP PARIBAS	142.9	0.45
11	FIDELITY/NATIONAL FINANCIAL SERVICES	89.7	0.29
12	- BANK OF NEW YORK MELLON/PERSHING	63.1	0.24
13	▲ WELLS FARGO	37.5	0.15
14	▼ NOMURA	35.9	0.90
15	▲ HSBC	29.2	0.44
16	▼ JEFFERIES	25.1	0.11
17	▼ SOCIETE GENERALE/NEWEDGE	22.6	0.18
18	- SKANDINAVISKA ENSKILDA BANKEN (SEB)	21.8	1.56
19	▲ RBS	17.9	1.28
20	NEW STATE STREET	13.3	0.47
AVERAGE		228.2	0.51

*EQUAL PRO RATA (SEE METHODOLOGY)

PRIME BROKERS