



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

BY CHRIS MATTHEWS

The latest edition of the AlphaPipe-HFM-Week Service Provider Snapshot comes after a topsy-turvy three months for the hedge fund sector, as it experienced significant market volatility.

According to Hedge Fund Research, total assets finished the third quarter at \$2.82trn – an \$18bn increase from July – with YTD assets up \$190bn (7%) since January.

AlphaPipe chief executive Westley Chapman says this latest snapshot highlights the growth in the number of hedge funds over the period.

He says: “The third quarter’s net growth of 170 hedge funds is the latest period of steady growth in the snapshot’s hedge fund population which is 482 funds larger than a year ago.”

On the auditor front, EY remains the most utilised firm by fund managers. EY gained 54 new clients in Q3 taking the total number of funds it serves to 2,437 – representative of more than a 20% market share.

PricewaterhouseCoopers climbed back into second above the merged KPMG/Rothstein Kass who had taken the position last quarter.

Commenting on the climb, PwC’s Mike Greenstein said “Our research in our *Asset Management 2020* paper indicates that alternative asset managers such as hedge

Q3	Q2	ADMINISTRATOR	FUNDS	%	RAuM (\$BN)	%
1	= 1	CITCO	1,117	12.4%	937.2	18.2%
2	= 2	STATE STREET GLOBAL FUND SERVICES	1,018	11.3%	918.2	17.8%
3	= 3	SS&C GLOBEOP	993	11.1%	825.7	16.0%
4	= 4	BANK OF NEW YORK MELLON	592	6.6%	408.9	7.9%
5	= 5	SEI	472	5.3%	124.3	2.4%
6	= 6	CITIGROUP	425	4.7%	221.9	4.3%
7	▲ 8	NORTHERN TRUST	269	3.0%	286.4	5.6%
8	▼ 7	MORGAN STANLEY	266	3.0%	290.6	5.6%
9	= 9	U.S. BANCORP	241	2.7%	74.6	1.4%
10	= 10	HEDGESERV	219	2.4%	107.6	2.1%
11	= 11	MITSUBISHI UFJ FINANCIAL GROUP	201	2.2%	96.9	1.9%
12	= 12	JPMORGAN CHASE	166	1.9%	93.2	1.8%
13	= 13	NAV CONSULTING	135	1.5%	9.0	0.2%
14	= 14	ALPS FUND SERVICES	130	1.4%	8.2	0.2%
15	= 15	UBS	127	1.4%	43.8	0.9%
16	▲ 17	HSBC	114	1.3%	84.1	1.6%
17	▼ 16	JD CLARK & COMPANY	107	1.2%	6.5	0.1%
18	= 18	ADMIRAL ADMINISTRATION	106	1.2%	17.2	0.3%
19	= 19	CONIFER GROUP/VASTARDIS	103	1.1%	46.7	0.9%
20	= NEW	KAUFMAN ROSSIN	98	1.1%	10.5	0.2%
TOP 20 TOTAL			6,899	76.9%	4,611.6	89.5%
TOTAL HF ADMIN RELATIONSHIPS			8,972	100%	5,155.4	100%
LESS: MULTIPLE ADMINS			116		124.6	
TOTAL HFS ADMINISTERED			8,856		5,030.9	
TOTAL HFS			11,475		5,608.3	
% OF TOTAL HFS ADMINISTERED			77.2%		89.7%	
TOTAL PRIVATE FUNDS			35,357		10,685.3	
% OF TOTAL PFS ADMINISTERED			17,582	49.7%	7,356.0	68.8%

Q3	Q2	ADMINISTRATOR	RAuM (\$BN)	AVG RAuM (\$BN)
1	= 1	CITCO	937.2	0.84
2	= 2	STATE STREET GLOBAL FUND SERVICES	918.2	0.90
3	= 3	SS&C GLOBEOP	825.7	0.83
4	= 4	BANK OF NEW YORK MELLON	408.9	0.69
5	= 5	MORGAN STANLEY	290.6	1.09
6	= 6	NORTHERN TRUST	286.4	1.06
7	= 7	CITIGROUP	221.9	0.52
8	= 8	SEI	124.3	0.26
9	= 9	HEDGESERV	107.6	0.49
10	= 10	WELLS FARGO	106.9	1.94
11	= 11	MITSUBISHI UFJ FINANCIAL GROUP	96.9	0.48
12	= 12	JPMORGAN CHASE	93.2	0.56
13	= 13	HSBC	84.1	0.74
14	= 14	BROWN BROTHERS HARRIMAN	78.4	1.21
15	= 15	U.S. BANCORP	74.6	0.31
16	= 16	HARMONIC FUND SERVICES	53.8	2.56
17	= 17	CREDIT SUISSE	49.9	0.56
18	= 18	CONIFER GROUP/VASTARDIS	46.7	0.45
19	= 19	UBS	43.8	0.35
20	= 20	STONE COAST FUND SERVICES	25.7	0.27
TOP 20 AVERAGE			243.7	0.81

# ADMINISTRATORS

funds will increasingly move centre stage in the next five to seven years. As they do, we expect to continue building on our leadership position as evidenced by \$29bn in new RAuM this quarter.”

The KPMG merger, which was ratified in July, is a clear indication of KPMG’s growing interest in the hedge fund space and although the firm slipped to third it did see an \$11bn increase in RAuM (\$1,002.6bn) in Q3.

Speaking at the time of the new partnership, Howard Altman, Rothstein Kass’s chairman said: “There’s no question the regulatory environment has changed dramatically. There’s a need to have a culture of compliance inside the private firms.”

As auditing and reporting requirements continue to be of focus for fund managers, Art Tully, partner in EY’s financial services team, says there are “great opportunities” in the sector.

“We continue to see great opportunities in the hedge fund space and are excited about the prospects for growth going forward. EY is proud and honoured to be a leading service provider to this dynamic industry,” he said.

Chapman says that administrator rankings reflect continued growth in administered funds by the top

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HOWARD ALTMAN, ROTHSTEIN KASS

three. There were no changes in relative rankings by administered fund count until 16th place where HSBC climbs a notch over JD Clark and Kaufman Rossin displaces Stone Coast at 20th.

Citco, State Street and SS&C GlobalOp lead the administrator pack with the trio holding more than 30% of market share.

SS&C remained in third place from Q2 but the firm has acquired the most new funds since July adding 23 to its roster and now serves almost 1,000 managers.

Overall, 80% of administrators surveyed saw a rise in client numbers. With more managers approaching



DATA

1,117

number of hedge funds Citco administers

Q3	Q2	AUDITOR	FUNDS	%	RAuM (\$BN)	%
1	= 1	ERNST & YOUNG (EY)	2,437	22.4%	2,027.1	36.4%
2	▲ 3	PRICEWATERHOUSECOOPERS (PWC)	2,356	21.6%	1,655.8	29.7%
3	▼ 2	KPMG	2,328	21.4%	1,002.6	18.0%
4	= 4	DELOITTE	1,204	11.0%	477.1	8.6%
5	= 5	MCGLADREY	458	4.2%	59.3	1.1%
6	= 6	EISNERAMPER	321	2.9%	54.7	1.0%
7	= 7	GRANT THORNTON	245	2.2%	118.1	2.1%
8	= 8	BDO	228	2.1%	71.0	1.3%
9	= 9	SPICER JEFFRIES	109	1.0%	3.2	0.1%
10	= 10	COHNREZNICK	55	0.5%	6.7	0.1%
11	= 11	ANCHIN BLOCK & ANCHIN	46	0.4%	8.2	0.1%
12	= 13	ARTHUR BELL	44	0.4%	3.9	0.1%
13	= 14	JOSEPH DECOSIMO AND COMPANY	43	0.4%	6.1	0.1%
14	▼ 12	MARCUM	42	0.4%	3.4	0.1%
15	= 15	WALSH, JASTREM & BROWNE	38	0.3%	2.7	0.0%
16	▲ 17	KAUFMAN ROSSIN	36	0.3%	2.2	0.0%
17	▼ 16	RSM INTERNATIONAL	34	0.3%	10.3	0.2%
18	= 18	WEAVER	30	0.3%	1.4	0.0%
19	= NEW	WITHUMSMITH+BROWN	30	0.3%	3.6	0.1%
20	▼ 19	COHEN FUND AUDIT SERVICES	28	0.3%	0.8	0.0%
TOP 20 TOTAL			10,112	92.8%	5,518.3	99.0%
TOTAL HF AUDITOR RELATIONSHIPS			10,900	100%	5,573.1	100%
LESS: MULTIPLE AUDITORS			20		4.4	
TOTAL HFS AUDITED			10,880		5,568.7	
TOTAL HFS			11,475		5,608.3	
% OF TOTAL HFS AUDITED			94.8%		99.3%	
TOTAL PRIVATE FUNDS			35,357		10,685.3	
% OF TOTAL PFS AUDITED			30,411	86%	10,224.6	95.7%

Q3	Q2	AUDITOR	RAuM (\$BN)	AVG RAuM (\$BN)
1	= 1	ERNST & YOUNG (EY)	2,027.1	0.83
2	= 2	PRICEWATERHOUSECOOPERS	1,655.8	0.70
3	= 3	KPMG	1,002.6	0.43
4	= 4	DELOITTE	477.1	0.40
5	= 5	GRANT THORNTON	118.1	0.48
6	= 6	BDO	71.0	0.31
7	= 7	MCGLADREY	59.3	0.13
8	= 8	EISNERAMPER	54.7	0.17
9	= 9	WEISERMAZARS	12.0	0.50
10	= 10	RSM INTERNATIONAL	10.3	0.30
11	= 11	ANCHIN BLOCK & ANCHIN	8.2	0.18
12	= 12	COHNREZNICK	6.7	0.12
13	= 13	JOSEPH DECOSIMO AND COMPANY	6.1	0.14
14	= 14	ARTHUR BELL	3.9	0.09
15	= 16	WITHUMSMITH+BROWN	3.6	0.12
16	= 15	MARCUM	3.4	0.08
17	= 17	SPICER JEFFRIES	3.2	0.03
18	= 18	HORTY & HORTY	2.8	0.56
19	= NEW	RAINES & FISCHER	2.7	0.15
20	▼ 19	WALSH, JASTREM & BROWNE	2.7	0.07
TOP 20 AVERAGE			276.6	0.29

AUDITORS

## METHODOLOGY

AlphaPipe's ADV Data service includes more than 100,000 private fund vendor relationships. The snapshot focuses on 11,475 hedge funds managing \$5.6trn in regulatory assets under management (RAuM).

The third quarter's net growth of 170 hedge funds is the latest period of steady growth in the Snapshot's hedge fund population which is 482 funds larger than a year ago. 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 1 October 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 fund 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.



# \$1.1trn

BNY/Pershing tops RAuM for custodians

Q3	Q2	CUSTODIAN	FUNDS	%	RAuM (\$BN)	%
1	=	1 JPMORGAN CHASE	2,692	19.2%	2,156.5	12.5%
2	=	2 BANK OF NEW YORK MELLON/PERSHING	1,983	14.1%	2,675.0	15.5%
3	=	3 STATE STREET	917	6.5%	1,652.3	9.6%
4	=	4 BANK OF AMERICA MERRILL LYNCH	779	5.5%	875.7	5.1%
5	▲	6 CITIGROUP	553	3.9%	974.1	5.6%
6	▼	5 GOLDMAN SACHS	498	3.5%	575.2	3.3%
7	▲	11 MORGAN STANLEY	422	3.0%	472.8	2.7%
8	=	8 DEUTSCHE BANK	415	3.0%	527.9	3.1%
9	=	9 NORTHERN TRUST	403	2.9%	561.7	3.3%
10	▼	7 WELLS FARGO	392	2.8%	628.8	3.6%
11	▲	12 UBS	341	2.4%	353.0	2.0%
12	▼	10 U.S. BANCORP	315	2.2%	303.7	1.8%
13	▲	14 HSBC	302	2.1%	966.8	5.6%
14	▲	16 CREDIT SUISSE	281	2.0%	467.8	2.7%
15	=	15 CITCO	232	1.7%	165.6	1.0%
16	▲	19 BARCLAYS	190	1.4%	768.2	4.4%
17	▼	13 CHARLES SCHWAB	183	1.3%	15.8	0.1%
18	▼	17 FIDELITY/NATIONAL FINANCIAL SERVICES	176	1.3%	52.9	0.3%
19	▼	18 FIRST REPUBLIC BANK	140	1.0%	83.1	0.5%
20	=	NEW BNP PARIBAS	109	0.8%	233.0	1.3%
TOP 20 TOTAL			11,323	80.6%	14,509.9	84%
TOTAL INDEPENDENT CUSTODIAL RELATIONSHIPS			14,056	100%	17,270.5	100%
LESS: MULTIPLE INDEPENDENT CUSTODIANS			5,704		12,344.8	
TOTAL HFS WITH INDEPENDENT CUSTODIANS			8,352		4,925.7	
TOTAL HFS			11,475		5,608.3	
% OF TOTAL HFS WITH INDEPENDENT CUSTODIANS			72.8%		87.8%	
TOTAL PRIVATE FUNDS			35,357		10,685.3	
FUNDS WITH INDEPENDENT CUSTODIANS			26,875	76%	9,275.5	86.8%

Q3	Q2	CUSTODIAN	RAuM (\$BN)*	AVG RAuM (\$BN)
1	=	1 BNY/PERSHING	1,106.4	0.56
2	=	2 JPMORGAN CHASE	871.2	0.32
3	=	3 STATE STREET	633.3	0.69
4	▲	6 HSBC	251.5	0.83
5	▼	4 CITIGROUP	201.6	0.36
6	▲	7 NORTHERN TRUST	183.5	0.46
7	▼	5 BANK OF AMERICA MERRILL LYNCH	178.3	0.23
8	▲	13 WELLS FARGO	138.4	0.35
9	▲	12 BARCLAYS	134.6	0.71
10	▲	14 GOLDMAN SACHS	107.4	0.22
11	▼	9 BROWN BROTHERS HARRIMAN	96.8	0.90
12	▼	8 DEUTSCHE BANK	94.3	0.23
13	▲	16 MORGAN STANLEY	88.2	0.21
14	▼	10 CREDIT SUISSE	85.2	0.30
15	▼	11 U.S. BANCORP	84.8	0.27
16	▼	15 UBS	75.4	0.22
17	▲	18 CITCO	52.5	0.23
18	=	NEW BNP PARIBAS	48.2	0.44
19	▼	17 FIRST REPUBLIC BANK	36.4	0.26
20	=	NEW SCOTIABANK	25.8	1.03
TOP 20 AVERAGE			224.7	0.44



admins for regulatory support, most for the impending Annex IV submissions, and seeking integrated front and back offices solutions, the growing prevalence of the administrator is not particularly surprising.

“We continue to see widespread adoption of our cloud-driven fund administration platform,” says Rahul Kanwar, senior vice president and managing director of Alternative Assets at SS&C. “Investors and managers are focusing on expertise and ease of information access on web and mobile and SS&C remains extremely well-positioned. SS&C is independent of banking, prime brokerage and custody functions which enables separation of duties and a strong internal control framework, key concerns of the largest institutional investors.”

Custodian rankings in Q3 represent a shift in procedure from AlphaPipe. Now including roughly 2,500 relationships previously excluded incorrectly due to anomalies in ADV filings.

With this readjustment of custodian calculations, nearly all 20 companies show major rises in client figures; HSBC rose 58% (198 to 302), Morgan Stanley some 51% (278 to 422) and Citigroup up from 413 to 553 (34%).

AlphaPipe’s Westley Chapman says: “The resulting rankings by custodied funds reflect stability at the top

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RAHUL KANWAR, SS&C

with significant movers Morgan Stanley (7th, up from 11th), Credit Suisse (14th, up from 16th) and Barclays (16th, up from 19th) all driven by the methodology change, as do the moves in rankings by pro rata custodied RAuM.”

In the prime broker space, it is as you were for the top 20 in Q3 as Goldman Sachs remains top of the PB pile. While its average client holdings stand at \$290m in AuM – some \$110m fewer than second place JP Morgan – it has added 26 new clients since July and now serves 2,252 managers.

Look out for the next edition of the quarterly AlphaPipe/HFMWeek Snapshot, early next year. ■



DATA

**\$400m**

Average RAuM of a JP Morgan client

Q2	Q1	PRIME BROKER	FUNDS	%	HFRAuM (\$BN)	%
1	= 1	GOLDMAN SACHS	2,252	18.5%	2,222.7	12.9%
2	= 2	MORGAN STANLEY	1,675	13.8%	2,144.6	12.5%
3	= 3	JPMORGAN CHASE	1,575	13.0%	2,043.8	11.9%
4	= 4	CREDIT SUISSE	1,172	9.6%	2,134.4	12.4%
5	= 5	DEUTSCHE BANK	788	6.5%	1,357.8	7.9%
6	= 6	UBS	779	6.4%	1,437.3	8.4%
7	= 7	BANK OF AMERICA MERRILL LYNCH	587	4.8%	1,401.1	8.1%
8	= 8	CITIGROUP	571	4.7%	890.5	5.2%
9	= 9	BARCLAYS	425	3.5%	1,105.7	6.4%
10	= 10	BNP PARIBAS	307	2.5%	445.7	2.6%
11	= 11	FIDELITY/NATIONAL FINANCIAL SERVICES	297	2.4%	301.6	1.8%
12	= 12	JEFFERIES	243	2.0%	81.7	0.5%
13	= 13	BANK OF NEW YORK MELLON/PERSHING	225	1.9%	154.6	0.9%
14	= 14	WELLS FARGO	178	1.5%	16.4	0.1%
15	= 15	BTIG	131	1.1%	17.0	0.1%
16	= 16	INTERACTIVE BROKERS	125	1.0%	12.7	0.1%
17	= 17	NEWEDGE	107	0.9%	83.2	0.5%
18	= 18	HSBC	67	0.6%	133.8	0.8%
19	= 19	CHARLES SCHWAB	57	0.5%	8.5	0.0%
20	= 20	CONVERGEX GROUP	43	0.4%	1.7	0.0%
TOP 20 TOTAL			11,604	95.5%	15,994.7	93%
TOTAL PB RELATIONSHIPS			12,152	100%	17,198.4	100%
LESS: MULTIPLE PBS			5,737		12,955.0	
TOTAL FUNDS PRIME BROKERED			6,415		4,243.4	
TOTAL HFS (ALL SCHEDULE DS)			11,475		5,608.3	
% OF TOTAL HFS PRIME BROKERED			55.9%		75.7%	
ALL PRIVATE FUNDS			35,357		10,685.3	
TOTAL FUNDS PRIME BROKERED			7,561	21.4%	4,509.6	42.2%

Q2	Q1	PRIME BROKER	RAuM (\$BN)	HF RAuM (\$BN)
1	= 1	GOLDMAN SACHS	651.8	0.29
2	= 2	JPMORGAN CHASE	630.2	0.40
3	= 3	MORGAN STANLEY	561.9	0.34
4	= 4	CREDIT SUISSE	541.5	0.46
5	= 5	UBS	330.9	0.42
6	= 6	BANK OF AMERICA MERRILL LYNCH	310.5	0.53
7	= 7	DEUTSCHE BANK	271.9	0.35
8	= 8	BARCLAYS	253.1	0.60
9	= 9	CITIGROUP	219.8	0.38
10	= 10	BNP PARIBAS	86.8	0.28
11	= 11	FIDELITY/NATIONAL FINANCIAL SVS	68.1	0.23
12	= 12	BNY/PERSHING	41.4	0.18
13	= 13	NOMURA	31.2	0.84
14	= 14	MBS CLEARING CORPORATION	30.2	30.24
15	= 15	NEWEDGE	29.7	0.28
16	= 16	JEFFERIES	25.9	0.11
17	= 17	HSBC	22.5	0.34
18	= 18	CITADEL	17.0	1.89
19	= 19	RBS	14.4	0.63
20	= 20	WELLS FARGO	12.2	0.07
TOP 20 AVERAGE			207.6	1.94

PRIME BROKERS