

GLOBAL INVESTOR ISF



Tri-party survey 2016

The winner of the *Global Investor/ISF* tri-party survey was Clearstream, but BNY Mellon also came away with a significant share of the spoils

Clearstream is the highest rated tri-party provider on a global basis, according to the respondents of the *Global Investor/ISF* tri-party survey 2016. It fully deserves congratulations for this achievement, especially for its excellent scores in Asia Pacific and from collateral management clients.

However, care must be taken when making comparisons in the tri-party market. Only a small amount of firms compete and geographical coverage varies substantially. Only BNY Mellon secured enough responses to qualify in all three regions (with winning scores in many cases).

Meanwhile SIX Securities Services performed excellently in its home market of Switzerland, giving it enough responses for it to qualify for EMEA. However, comparison with other tri-party providers in EMEA is not meaningful when its geographical coverage is so different.

The tables, which focus on one tri-party provider at a time, provide a snapshot of its performance across the areas in which it operates. It allows comparison of its operations, broken down into service categories, across geographical regions and also highlights areas of operational strength and weakness.

The tables on these pages therefore hopefully capture more meaningful comparison than the type that is appropriate for other *Global Investor/ISF* surveys.

The tables contain scores in red and black. Red scores are winning scores, the highest average rating a tri-party provider

received in that category and/or geographical region.

All users of tri-party services were invited to rate their providers over 15 categories.

These respondents were asked what proportion of their activity is conducted via tri-party arrangements. The respondents fitted into a roughly uniform distribution, distributed between ten bands, ranging 0-10% and 90-100%. The mean value was 49.8%.

Clearstream

Clearstream was the global winner of the tri-party survey. It received both the highest unweighted score and the highest weighted scores. Weighted scores are adjusted to take into consideration how important each service category is by the survey respondents (see *methodology* page 44).

Clearstream qualified in two geographical regions (the criteria for global qualification), EMEA and Asia Pacific. It performed most strongly among clients that used its services for other collateral management, securing the best score globally and in each region for which it qualified, both weighted and unweighted.

The scores it achieved in Asia Pacific were stronger than in EMEA across every respondent type, both weighted and unweighted. Its unweighted scores were also higher than its weighted scores in every case.

In the service categories, Clearstream was the highest rated

tri-party provider in 10 of the 15 categories globally (two jointly) and six categories in both EMEA and Asia Pacific.

Clearstream's outright highest scores (irrespective of winning) were scattered around geographically and in terms of category. In Asia Pacific its best scores were for accuracy of margin calls (6.67), dividend collection (6.6) and access to counterparties (6.57). In EMEA its best ones were quality of client service (6.08), implementation of collateral sets and schedules (6.05) and accuracy of margin calls (5.93).

Combined globally, its strongest scores were for accuracy of margin calls (6.14), quality of client service (6.09) as well as collateral reuse rehypothecation and implementation of collateral sets schedules (both 6.07).

Respondents were asked to identify

CLEARSTREAM			
WEIGHTED RESPONDENTS	EMEA	ASIA PACIFIC	GLOBAL
ALL	5.46	6.03	5.63
REPO	5.40	6.18	5.53
SECURITIES LENDING	5.77	5.78	5.78
OTHER COLLATERAL MANAGEMENT	5.54	6.53	6.04
UNWEIGHTED RESPONDENTS	EMEA	ASIA PACIFIC	GLOBAL
ALL	5.74	6.31	5.91
REPO	5.66	6.25	5.76
SECURITIES LENDING	6.06	6.19	6.13
OTHER COLLATERAL MANAGEMENT	5.92	7.00	6.46
SERVICE CATEGORIES	EMEA	ASIA PACIFIC	GLOBAL
ABILITY TO CREATE BESPOKE SCHEDULES	5.92	6.38	6.06
ABILITY TO MANAGE EQUITIES AS COLLATERAL	5.50	6.50	5.82
ACCESS TO COUNTERPARTIES	5.61	6.57	5.88
ACCURACY OF MARGIN CALLS	5.93	6.67	6.14
BREADTH OF MARKET COVERAGE	5.74	6.25	5.89
BREADTH OF SUPPORTED ELIGIBILITY CRITERIA	5.79	6.38	5.96
COLLATERAL REUSE REHYPOTHECATION	5.91	6.50	6.07
DIVIDEND COLLECTION	5.67	6.60	5.94
IMPLEMENTATION OF COLLATERAL SETS SCHEDULES	6.05	6.13	6.07
INNOVATION	5.82	6.25	5.94
LEVEL OF STP OFFERED	5.58	6.29	5.77
QUALITY OF CLIENT SERVICE	6.08	6.13	6.09
QUALITY OF REPORTING CLIENT INTERFACE	5.47	6.19	5.67
QUALITY OF STATIC DATA	5.71	6.52	5.93
SUBSTITUTION CAPABILITY	5.72	6.43	5.92

the strengths of their tri-party providers. In EMEA, one respondent stated: “Firstly, quality of service, with helpful and knowledgeable staff. Secondly, its simple legal framework (ease of onboarding). Thirdly, simple collateral schedule structure (baskets).”

Another in the region commented: “People – Charlie Bedford-Forde and Steve Lethaby fully understand client needs and drive business growth.”

Other areas in EMEA that were highlighted were relationship management, innovation, presentation of new business opportunities, access to counterparties, automation, client services, good market access, great customer service (“CRC is easier than GMRA”), high quality service, quick & clear answers received and quality of reporting.

In Asia Pacific one respondent stated: “Our relationship manager Mr. Lau is very knowledgeable and has been taking care of our account very closely. We are very happy with his services.”

Another one praised its “Collateral management skills and market coverage” and another its responsiveness.

BNY Mellon

BNY Mellon was the only tri-party provider that qualified in all three regions and the only one to qualify in the Americas. Its performance was exceptional in the eyes of securities lending clients – it was the highest rated provider globally and in the Americas and Asia Pacific, both weighted and unweighted.

BNY Mellon achieved the highest rating in seven of the 15 service categories globally (one jointly). In Asia Pacific it achieved the majority of winning scores, with 9. In the Americas it had a clean sweep (of course) and EMEA it secured a single top spot.

BNY Mellon’s outright highest scores (irrespective of winning) in the categories were different in each geographical region. In the Americas its best score was for accuracy of margin calls (6.67) then quality of client service (6.63) and quality of static data (6.38). In Asia Pacific its joint-top scores were for ability to manage equities as collateral, access to counterparties and breadth of supported eligibility criteria (all 6.78). In EMEA its best score was for ability to manage equities as collateral (5.67) followed jointly by ability to create bespoke schedules and quality of client service (both 5.29).

Combined in the global category table its best scores were ability to manage equities as collateral (6.32), quality of client service (6.21) and access to counterparties (6.09).

In EMEA one respondent praised its “client service, engagement from all staff and flexibility to assist”. Others in

BNY MELLON				
WEIGHTED RESPONDENTS	EMEA	AMERICAS	ASIA PACIFIC	GLOBAL
ALL	4.66	5.81	6.01	5.55
REPO	4.46	5.69	5.48	5.25
SECURITIES LENDING	4.91	6.51	6.21	5.85
OTHER COLLATERAL MANAGEMENT	X	5.79	5.81	5.80
UNWEIGHTED RESPONDENTS	EMEA	AMERICAS	ASIA PACIFIC	GLOBAL
ALL	4.91	6.14	6.41	5.88
REPO	4.74	5.96	5.83	5.53
SECURITIES LENDING	5.13	6.93	6.66	6.23
OTHER COLLATERAL MANAGEMENT	X	6.43	6.07	6.25
SERVICE CATEGORY	EMEA	AMERICAS	ASIA PACIFIC	GLOBAL
ABILITY TO CREATE BESPOKE SCHEDULES	5.29	6.00	6.33	5.91
ABILITY TO MANAGE EQUITIES AS COLLATERAL	5.67	6.29	6.78	6.32
ACCESS TO COUNTERPARTIES	5.17	6.00	6.78	6.09
ACCURACY OF MARGIN CALLS	4.71	6.67	6.22	5.86
BREADTH OF MARKET COVERAGE	5.14	6.13	6.56	6.00
BREADTH OF SUPPORTED ELIGIBILITY CRITERIA	4.57	6.25	6.78	5.96
COLLATERAL REUSE REHYPOTHECATION	4.83	6.33	5.88	5.70
DIVIDEND COLLECTION	4.20	6.00	6.11	5.56
IMPLEMENTATION OF COLLATERAL SETS SCHEDULES	4.86	6.14	6.22	5.78
INNOVATION	4.86	5.75	6.11	5.63
LEVEL OF STP OFFERED	4.57	6.00	6.56	5.77
QUALITY OF CLIENT SERVICE	5.29	6.63	6.56	6.21
QUALITY OF REPORTING CLIENT INTERFACE	4.71	6.13	6.56	5.88
QUALITY OF STATIC DATA	4.71	6.38	6.33	5.88
SUBSTITUTION CAPABILITY	4.83	5.88	6.50	5.82

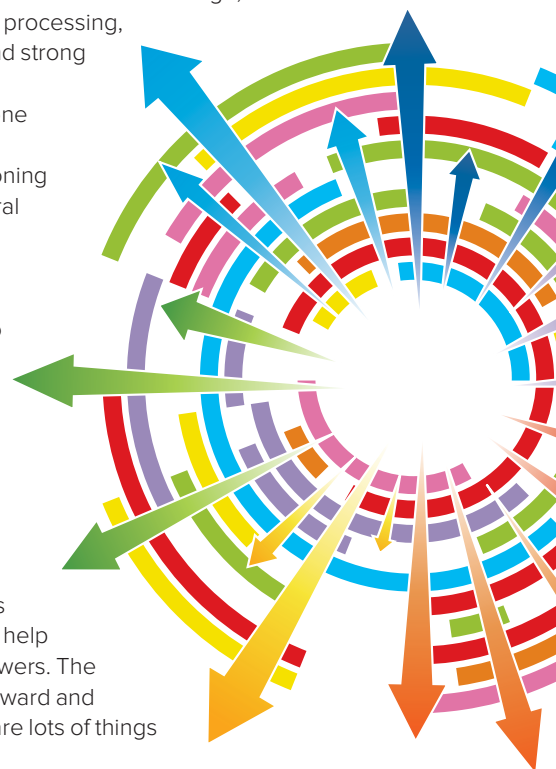
the region highlighted other areas of excellence: access to different counterparts, bespoke schedules, good access to market and range of counterparties.

In Asia Pacific, BNY Mellon received praise for a diverse range of attributes including access to markets and instruments, breadth of customer coverage, communication and processing, market coverage and strong relationships.

In the Americas, one respondent stated: “Accurately apportioning of securities collateral for our underlying clients. Providing systems for underlying clients to access information directly. High level professional and personalized customer service.”

Another in the region stated: “The coverage is good, if I have any questions people are ready to help with the correct answers. The system is straightforward and easy to use. There are lots of things you can do with it.”

Among other areas praised by respondents in the Americas, were “market access, client service and system stability”, “bespoke schedules, collateral re-hype, client service”, “client service, system stability”, “good tools for monitoring and managing credit use” and “great turnaround time on new contracts”.



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JPMorgan

JPMorgan only qualified in EMEA (despite also having a business in both the Americas and Asia Pacific). Its unweighted scores were higher than its weighted ones in all cases.

In EMEA, JPMorgan achieved its highest outright scores (irrespective of winning) in accuracy of margin calls and breadth of market coverage (both 5.8) and its next best one was dividend collection (5.5).

In EMEA one respondent highlighted three areas of excellence: "One, range of counterparties. Two, relationship management. And three, its online, paperless processes." Also in the region, respondents praised its dividend collection and equity collateral.

In the Americas one respondent praised JPMorgan's "Access in numerous markets to help facilitate broader coverage."

SIX Securities Services

As SIX Securities Services only operates in Switzerland it only received EMEA responses. It qualified easily and did well in its home market, but comparison with the EMEA scores of other tri-party providers are not particularly useful.

That said, its scores were excellent. It was the highest rated tri-party provider among all EMEA respondents as well as when broken down into repo and securities lending respondents.

SIX Securities Services had the highest score in nine of the 15 EMEA service categories. Its top three scores were for quality of client service (6.43), accuracy of margin calls (6.36) and level of straight through processing (STP) offered (6.07).

Of course, all respondents for SIX Securities Services were in EMEA. One respondent commented "Client relationship managers understanding the client's needs and are eager to drive the product and help find solutions."

A different client stated: "SIX has been innovative by the implementation of a forward looking platform."


Another respondents praised its "electronic platform and user interface", commenting that it is "very client friendly."

Other respondents highlighted its innovation, service, flexibility and straight through processing.

Euroclear

Euroclear qualified only in the EMEA region. Its unweighted scores were higher than its weighted ones across all respondent types.

Euroclear's best service category scores were in quality of reporting client interface (5.4), ability to create bespoke schedules (5.3) and substitution capability (5.20).

Euroclear received several positive comments in EMEA. One praised its "fixed income market coverage". A different client appreciated its "client service & the ability to adjust schedules". A further one singled out a particular relationship manager: "Our account manager Gie is very good in terms of knowledge and advice given." 

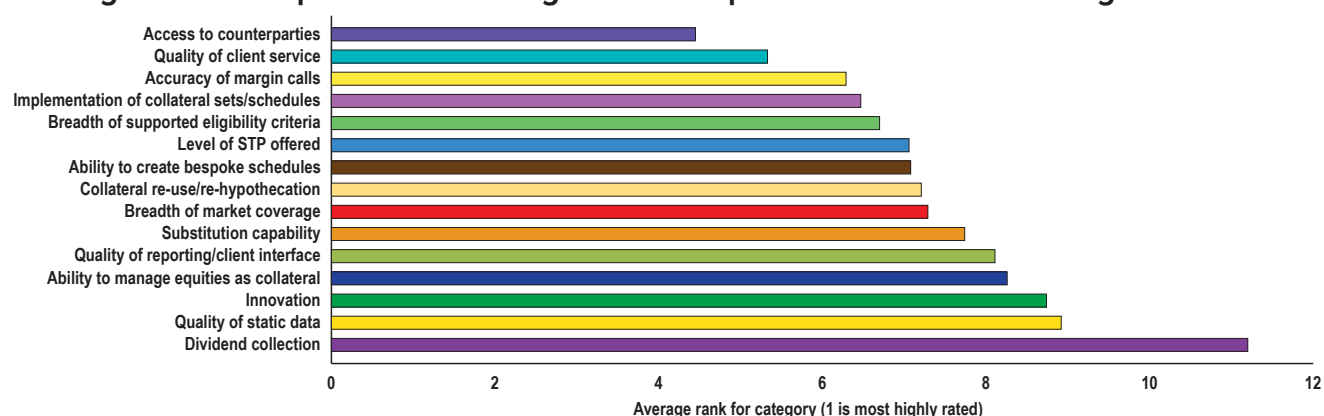
JPMORGAN	
WEIGHTED RESPONDENTS	EMEA
ALL	4.73
REPO	3.91
SECURITIES LENDING	4.89
OTHER COLLATERAL MANAGEMENT	5.08
WEIGHTED RESPONDENTS	EMEA
ALL	5.13
REPO	4.43
SECURITIES LENDING	5.26
OTHER COLLATERAL MANAGEMENT	5.46
SERVICE CATEGORY	EMEA
ABILITY TO CREATE BESPOKE SCHEDULES	5.00
ABILITY TO MANAGE EQUITIES AS COLLATERAL	5.20
ACCESS TO COUNTERPARTIES	5.00
ACCURACY OF MARGIN CALLS	5.80
BREADTH OF MARKET COVERAGE	5.80
BREADTH OF SUPPORTED ELIGIBILITY CRITERIA	5.20
COLLATERAL REUSE REHYPOTHECATION	4.60
DIVIDEND COLLECTION	5.50
IMPLEMENTATION OF COLLATERAL SETS SCHEDULES	5.40
INNOVATION	5.20
LEVEL OF STP OFFERED	5.20
QUALITY OF CLIENT SERVICE	5.20
QUALITY OF REPORTING CLIENT INTERFACE	4.40
QUALITY OF STATIC DATA	4.75
SUBSTITUTION CAPABILITY	4.40

SIX SECURITIES SERVICES	
WEIGHTED RESPONDENTS	EMEA
ALL	5.59
REPO	5.55
SECURITIES LENDING	6.12
UNWEIGHTED RESPONDENTS	EMEA
ALL	5.89
REPO	5.84
SECURITIES LENDING	6.53
SERVICE CATEGORY	EMEA
ABILITY TO CREATE BESPOKE SCHEDULES	5.55
ABILITY TO MANAGE EQUITIES AS COLLATERAL	5.63
ACCESS TO COUNTERPARTIES	5.93
ACCURACY OF MARGIN CALLS	6.36
BREADTH OF MARKET COVERAGE	5.93
BREADTH OF SUPPORTED ELIGIBILITY CRITERIA	6.00
COLLATERAL REUSE REHYPOTHECATION	6.00
DIVIDEND COLLECTION	5.50
IMPLEMENTATION OF COLLATERAL SETS SCHEDULES	5.92
INNOVATION	5.77
LEVEL OF STP OFFERED	6.07
QUALITY OF CLIENT SERVICE	6.43
QUALITY OF REPORTING CLIENT INTERFACE	6.00
QUALITY OF STATIC DATA	5.71
SUBSTITUTION CAPABILITY	5.69

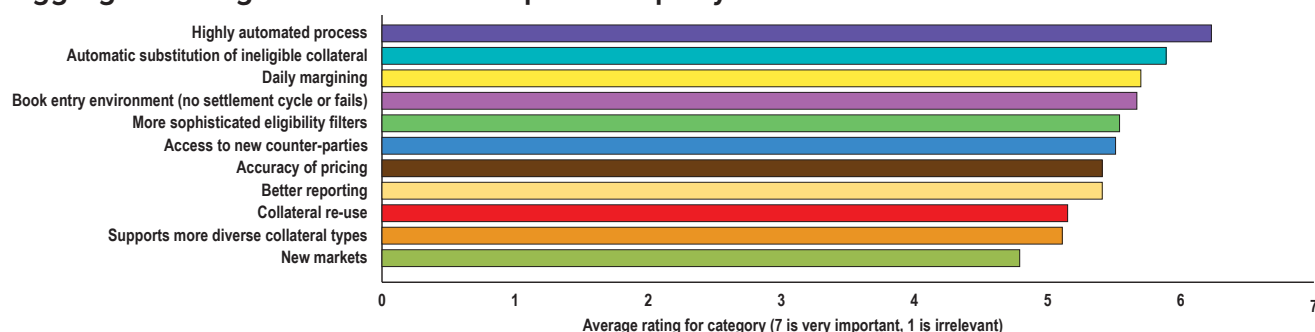
EUROCLEAR	
WEIGHTED RESPONDENTS	EMEA
ALL	4.72
REPO	4.81
SECURITIES LENDING	4.72
OTHER COLLATERAL MANAGEMENT	5.15
UNWEIGHTED RESPONDENTS	EMEA
ALL	4.96
REPO	4.65
SECURITIES LENDING	5.08
OTHER COLLATERAL MANAGEMENT	5.50
SERVICE CATEGORY	EMEA
ABILITY TO CREATE BESPOKE SCHEDULES	5.30
ABILITY TO MANAGE EQUITIES AS COLLATERAL	5.13
ACCESS TO COUNTERPARTIES	4.71
ACCURACY OF MARGIN CALLS	4.67
BREADTH OF MARKET COVERAGE	4.80
BREADTH OF SUPPORTED ELIGIBILITY CRITERIA	4.90
COLLATERAL REUSE REHYPOTHECATION	4.60
DIVIDEND COLLECTION	4.00
IMPLEMENTATION OF COLLATERAL SETS SCHEDULES	5.10
INNOVATION	5.00
LEVEL OF STP OFFERED	5.10
QUALITY OF CLIENT SERVICE	4.70
QUALITY OF REPORTING CLIENT INTERFACE	5.40
QUALITY OF STATIC DATA	5.10
SUBSTITUTION CAPABILITY	5.20

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Average rank of importance of categories to respondents – in descending order



Aggregate ratings of reasons to adopt the tri-party model



Methodology

Respondents were asked to rate their tri-party agents across 15 service categories on a scale between 1 (unacceptable) and 7 (excellent). If a tri-party agent is rated multiple times by the same respondent in the same country the ratings will be averaged and will only count as a single response for the purposes of qualification.

Unweighted

To calculate unweighted scores, a simple average of all relevant responses for each tri-party agent was generated.

Weighted

Respondents are required to rank 15 service categories in order of importance.

The rankings of all respondents are then combined to create weightings for each service category.

The more important a category is considered by all respondents, on average, the greater the weighting. Therefore, tri-party agents that score highly in the service categories considered most important by respondents will obtain a higher weighted score.

These weightings are normalised around 1 (between 0 and 2) to preserve comparability with unweighted scores. A firm's unweighted score for a particular category is multiplied by the weighting for that category to create its weighted score.

TABLES

Global scores

To qualify globally, tri-party agents must receive minimum of 12 responses (across repo, securities lending and other collateral management respondents) and must qualify in two regions.

Regional scores

To qualify in each of the three regions tri-party agents need a minimum number of responses. The respondent's location (rather than the tri-party agent's) defines where the response is allocated. The minimum number of responses for each region are as follows:

- EMEA: five
- Americas: five
- Asia Pacific: five

Respondent group scores

Rows of scores are calculated based solely on one type of respondent: repo, securities lending and other collateral management. A minimum of five responses is required to qualify globally. Weighted and unweighted scores are generated.

Other collateral management refers to all activities that are not covered by securities lending or repo. This includes but is not limited to: CSA activities (e.g. OTC derivatives); bespoke credit agreements; central bank access; and CCP access.

SERVICE CATEGORIES

Scores are generated for each of the 15 service categories, globally and for each region the provider qualifies.

These tables include all respondents' scores, globally and by respondent type. To qualify, tri-party agents must receive a minimum of 12 responses globally and must qualify in two regions. Only unweighted tables are generated.

Respondents are asked to rate their tri-party agents across the following 15 service categories:

- Ability to create bespoke schedules
- Ability to manage equities as collateral
- Access to counterparties
- Accuracy of margin calls
- Breadth of market coverage
- Breadth of supported eligibility criteria
- Collateral re-use/re-hypothecation
- Dividend collection
- Implementation of collateral sets/schedules
- Level of STP offered
- Quality of client service
- Quality of reporting/client interface
- Quality of static data
- Substitution capability
- Innovation