

# Maximum benefits

The highest average scores belonged to Goldman Sachs, unweighted, and JPMorgan, weighted, while State Street took a significant share of the regional prizes in the *Global Investor* survey, supported by DataLend. Analysis by *Alastair O'Dell*

**T**he *Global Investor* 2017 survey of beneficial owners' views about their agent lenders' performance produced the same global winners as last year but behind the headline results there were many interesting developments.

The all lenders tables – where responses relating to all types of lending arrangements are included – are based on all 139 responses to the survey. The winner of the weighted table was JPMorgan, which it also achieved last year. It did so through consistently strong performance across all the regions. However, the winning scores in the Americas and Asia Pacific belonged to State Street while Citi again triumphed in EMEA.

On the unweighted side of the survey, the all lenders tables contained less change compared to last year. Goldman Sachs Agency Lending repeated its performance of 2016 by achieving the highest average score and highest scores in EMEA and the Americas. JPMorgan again had the highest total global score. The only change was that State Street triumphed in Asia Pacific, raising its position from runner-up last year.

Across the survey the results were tight. This is perhaps unsurprising given the widespread satisfaction expressed by the survey respondents: 84.1% were either extremely or very satisfied with their programmes (see *survey respondents box page 9*). The winning average scores have also crept up since 2016 – unweighted by 0.03 and weighted by 0.05.

It must also be remembered that the providers rated in this survey represent the best performing ones in the market – reaching the target number of responses and having a strong international presence are minimum requirements. Qualifying for the survey is an achievement in itself – even firms positioned towards lower in the tables can feel justly proud.

### JPMorgan

JPMorgan was the winner of the beneficial owner survey using the weighted methodology, where the respondent's AuM and the aggregate importance they attach to each service category is taken into consideration (see *methodology page 10*). It achieved both the highest average score and the highest global total.

It achieved this by performing strongly in all three regions, EMEA, the Americas and Asia Pacific, achieving runner-up spot in every one. The gaps to first place were very tight: 0.03 for EMEA, 0.02 for Americas. JPMorgan improved its 2016 weighted scores in every region, so also in total and on average.

Under the unweighted methodology it also achieved the highest global score. It received a very creditable third-place average score, replicated in EMEA and the Americas (where its score was an improvement on 2016).

JPMorgan excelled in a wide variety of service categories. Weighted, it took the top spot for seven. The top three in descending order were risk management, collateral management and settlement & responsiveness to recalls. It was second in two and third in

the remaining three. Unweighted, it was second place in three and third in four.

When only responses from those engaged in custodial lending arrangements were taken into account, JPMorgan fared even better – it was the global winner, in terms of average and total scores under both the weighted and unweighted methodologies. Weighted, it was the winner in the Americas and unweighted it was the winner in EMEA and the Americas.

In the corresponding service categories, JPMorgan was the winner in eight weighted service categories and eight unweighted service categories (the same ones).

One respondent in the Americas that only used JPMorgan stated that “due to their size and scale, they are able to customise products that meet our needs” while another that it “brings unique opportunities to us”. Another appreciated its depth of knowledge: “Of the two we use JPM is much more proactive and brings more market insight, wider range of expertise to the table – other agent lenders aren't as proactive or responsive.”

Also in the Americas a beneficial owner stated: “JPM has provided us direct access to a highly professional team of traders, collateral managers, credit, compliance as well as customer relationship personnel many of which have been actively servicing our account for more than ten years. This level of stability and familiarity is a huge value-add that is not adequately captured in the metrics. They are a top notch agent lender in our opinion.”

In EMEA, JPMorgan “continues

# BENEFICIAL OWNERS SURVEY 2017

to look at areas to achieve greater yields,” according to one beneficial owner, while another stated it “created transparency in dealing with urgent reputational risk issues”.

A respondent in EMEA gave an insight into how its adds value: “JPMorgan endeavours to offer new products and types of trades to improve returns

as well as offering a suite of reporting that enhances clients’ internal MIS [management information system]. With regulations changing and future changes being considered, JPM’s dedicated relationship managers facilitate direct meetings with subject matter experts as well as technology/reporting to ensure their clients are compliant.”

JPMorgan was considered to be the most innovate agent lender by the joint highest number of respondents in Asia Pacific, where it also secured the most votes in 2016. One respondent in the region was particularly impressed: “We are very satisfied with the service JPMorgan offer. Their service is very reliable and high quality. I can feel enthusiastic.” While another noted “this agent wins the high revenues”.

Another Asia Pacific respondent listed its attributes: “High revenue performance, relentless efforts to increase earnings, efficient and sophisticated reporting, great customer support system, kind and excellent personnel.” Another praised its “trading efficiencies, new generation reports and lending market expansion.”

## Goldman Sachs Agency Lending

Goldman Sachs Agency Lending (GSAL) achieved the highest unweighted average score, repeating its 2016 performance. It also again received the highest unweighted scores in the regions for which it qualified, EMEA and the Americas. It therefore also received the highest global total among firms that qualified in two of the three regions.

In the weighted tables GSAL achieved

the second-highest average score, impressively halving the margin to first place achieved in 2016. It did so as a result of consistency: it received the third-highest score in EMEA and the Americas.

In the unweighted service categories, GSAL took the top spot for nine categories including its highest winning scores (in descending order): collateral management, handling of corporate actions/dividends, developed market coverage, settlement and responsiveness to recalls, programme customisation, emerging market coverage, provision of market and regulatory updates, Risk management, and income generated versus expectation.

It had its highest score for relationship management, but was overtaken to first place. It took second spot for three categories.

In the weighted service categories, it received the top score for reporting and transparency as well as second place for seven others and third place for the remaining four.

GSAL improved its unweighted score in the Americas above the level it achieved in 2016. Weighted, the improvement was much more significant – it improved its scores in every region it qualified for so also on average and in total.

In the third-party agency lending tables GSAL was the overwhelming winner, as it was in 2016. It was the highest-rated provider in EMEA and the Americas (no firms qualified in Asia Pacific) and therefore had the highest global total

and average. It was a clean sweep for both the unweighted and weighted methodologies.

As one would expect from the headline third-party tables, GSAL did extremely well in the corresponding service categories. It was the winner of nine unweighted categories (second for the remaining three) and all 12 weighted categories.

In EMEA a beneficial owners stated: “GSAL anticipates our needs and always collaborates on new products and trades. It also develops tailor-made reporting tools for more transparency on market activity... We integrated lending into collateral management/optimisation and GSAL supported us.”

Another beneficial owner in EMEA benchmarked a few agent lenders in order to assess the services it was being provided with by GSAL: “It was the best provider in many areas and we maintained our relationship given the outcome of the review.”

Also in the region, one commented: “Excellent service provided on the whole, especially during volatile climates as a result of Brexit and US elections, we were kept informed by our contacts on a regular basis.”

A respondent in the Americas stated: “GSAL offers consistently high and effective engagement from its relationship management team. It demonstrates an excellent control environment in relation to both the application of unique programme parameters and in preparation of customised reporting. GSAL also provides industry thought leadership

ALL LENDERS (WEIGHTED)					
COMPANY	EMEA	AMERICAS	ASIA PACIFIC	GLOBAL TOTAL	AVERAGE
Citi	6.59	5.72	X	12.31	6.16
Deutsche Agency Lending	6.18	5.24	X	11.42	5.71
eSecLending	5.51	5.89	X	11.40	5.70
Goldman Sachs Agency Lending	6.28	7.02	X	13.30	6.65
JPMorgan	6.56	7.47	6.17	20.20	6.73
RBC Investor & Treasury Services	5.39	5.33	X	10.72	5.36
State Street	6.00	7.49	6.30	19.79	6.60

ALL LENDERS (UNWEIGHTED)					
COMPANY	EMEA	AMERICAS	ASIA PACIFIC	GLOBAL TOTAL	AVERAGE
Citi	6.24	6.30	X	12.54	6.27
Deutsche Agency Lending	6.59	6.37	X	12.96	6.48
eSecLending	6.73	6.61	X	13.34	6.67
Goldman Sachs Agency Lending	6.82	6.71	X	13.53	6.77
JPMorgan	6.63	6.38	6.71	19.72	6.57
RBC Investor & Treasury Services	6.32	6.26	X	12.58	6.29
State Street	6.58	6.30	6.81	19.69	6.56

# BENEFICIAL OWNERS SURVEY 2017

and superior technical knowledge at all levels, and consistently outperforms both benchmarks and other agent lenders.”

Another in the region applauded its “excellent client service and operational management.”

## State Street

State Street was by far the most improved agent lender in this year’s

survey. It has always been a strong performer but this year it broke into winning positions in the all lenders regional tables. Indeed, it was the most improved agent lender in every region, and therefore globally and on average, in both the weighted and unweighted tables.

It was also voted to be the most innovative provider globally.

State Street achieved particularly strong results when the scores were weighted for category importance and respondents’ lendable portfolio. It was the winner in two regions: Americas and Asia Pacific. It also achieved third place for global average and second for total score.

In the unweighted tables, State Street took the top spot in Asia Pacific. It also had the second highest global total.

In the weighted service categories, State Street had the winning score in four areas: income generated versus expectation, programme customisation, provision of market and regulatory updates, and relationship management. It was second-placed in three and third-placed in the remaining five. This also represents a significant improvement on 2016.

In the equivalent unweighted tables, its best positions were second places in three areas: engagement on corporate action opportunities, programme customisation, provision of market and regulatory updates.

When only responses relating to custodial lending programmes were considered State Street received very strong scores. For both weighted and unweighted, it took the runner up spot for average score (and global total). It also took first place in Asia Pacific and second place in the Americas under both methodologies. It also took second place in EMEA unweighted (third

### ALL LENDERS SERVICE CATEGORIES (WEIGHTED)

COMPANY	COLLATERAL MANAGEMENT	HANDLING OF CORPORATE ACTIONS/DIVIDENDS	INCOME GENERATED VS EXPECTATION	LENDING PROGRAMME PARAMETER MANAGEMENT
Citi	7.12	4.14	7.34	5.81
Deutsche Agency Lending	6.65	3.47	7.11	5.15
eSecLending	X	X	7.24	5.60
Goldman Sachs Agency Lending	8.41	4.56	8.59	6.40
JPMorgan	<b>8.52</b>	<b>4.68</b>	8.48	<b>6.70</b>
RBC Investor & Treasury Services	6.77	X	6.83	5.10
State Street	8.42	4.60	<b>8.67</b>	6.22

COMPANY	DEVELOPED MARKET COVERAGE	EMERGING MARKET COVERAGE	PROGRAMME CUSTOMISATION	PROVISION OF MARKET AND REGULATORY UPDATES
Citi	3.63	2.63	5.02	3.27
Deutsche Agency Lending	3.24	2.13	4.51	3.05
eSecLending	X	X	4.71	3.19
Goldman Sachs Agency Lending	4.01	2.74	5.54	3.84
JPMorgan	<b>4.21</b>	<b>2.83</b>	5.48	3.93
RBC Investor & Treasury Services	2.92	X	X	3.11
State Street	4.09	2.66	<b>5.69</b>	<b>3.94</b>

COMPANY	RELATIONSHIP MANAGEMENT	REPORTING AND TRANSPARENCY	RISK MANAGEMENT	SETTLEMENT AND RESPONSIVENESS TO RECALLS
Citi	6.56	7.47	10.50	7.19
Deutsche Agency Lending	6.29	7.19	9.70	6.63
eSecLending	6.48	7.59	10.10	6.99
Goldman Sachs Agency Lending	7.48	<b>8.75</b>	11.83	8.29
JPMorgan	7.46	8.69	<b>12.23</b>	<b>8.43</b>
RBC Investor & Treasury Services	5.89	6.96	9.83	X
State Street	<b>7.66</b>	8.57	11.68	8.08

### ALL LENDERS SERVICE CATEGORIES (UNWEIGHTED)

COMPANY	COLLATERAL MANAGEMENT	HANDLING OF CORPORATE ACTIONS/DIVIDENDS	INCOME GENERATED	LENDING PROGRAMME PARAMETER MANAGEMENT
Citi	6.22	6.56	5.90	6.47
Deutsche Agency Lending	6.50	6.24	6.32	6.40
eSecLending	X	X	6.33	<b>6.83</b>
Goldman Sachs Agency Lending	<b>6.93</b>	<b>6.88</b>	<b>6.50</b>	6.75
JPMorgan	6.72	6.67	6.17	6.68
RBC Investor & Treasury Services	6.64	X	6.07	6.29
State Street	6.71	6.69	6.32	6.32

COMPANY	DEVELOPED MARKET COVERAGE	EMERGING MARKET COVERAGE	PROGRAMME CUSTOMISATION	PROVISION OF MARKET AND REGULATORY UPDATES
Citi	6.50	6.40	6.53	6.06
Deutsche Agency Lending	6.48	6.19	6.44	6.33
eSecLending	X	X	6.67	6.50
Goldman Sachs Agency Lending	<b>6.88</b>	<b>6.73</b>	<b>6.75</b>	<b>6.69</b>
JPMorgan	6.84	6.65	6.39	6.53
RBC Investor & Treasury Services	5.93	X	X	6.40
State Street	6.78	6.35	6.68	6.63

COMPANY	RELATIONSHIP MANAGEMENT	REPORTING AND TRANSPARENCY	RISK MANAGEMENT	SETTLEMENT AND RESPONSIVENESS TO RECALLS
Citi	6.45	6.05	6.30	6.30
Deutsche Agency Lending	6.84	6.52	6.44	6.44
eSecLending	<b>7.00</b>	<b>6.75</b>	6.58	6.67
Goldman Sachs Agency Lending	6.94	6.69	<b>6.69</b>	<b>6.88</b>
JPMorgan	6.58	6.32	6.53	6.58
RBC Investor & Treasury Services	6.43	6.29	6.57	X
State Street	6.79	6.26	6.32	6.42

weighted). Again, a significant improvement.

In the custodial lender service category tables State Street was the winner in four categories, was the runner up in a further seven and third in the final one.

In the equivalent unweighted tables it was the winner of four categories and the runner up in five and third in a further two.

A beneficial owner based in the Americas applauded State Street for “introducing new lending solutions” and a different one its “lending cash to closed-end funds utilising sec lending proceeds”.

Several respondents appreciated its handle on regulatory change. One stated: “State Street provides necessary reporting, quickly addresses change and offers product alternatives. They are always quick to provide information on regulatory topics – even possible changes”. Another one commented: “They have a very good understanding of the regulatory challenges faced by the securities lending industry and opportunities available to exploit.”

In EMEA a beneficial owner stated: “Very good and established agency lender, had a turnaround in staff last six to eight months [and is] now back on track.”

In Asia Pacific beneficial owners commented: “Proactive in exploring transaction opportunities to maximise the yield”, “Very satisfied with their client service and commitment”, and “We are

## Most innovative

The following providers received the largest number of votes from beneficial owners in the most innovative agent lender category:

- **Global winner:** State Street
- **Americas:** Deutsche Bank Agency Lending
- **EMEA:** RBC Investor & Treasury Services
- **Asia Pacific:** State Street, JPMorgan (jointly)

## Most improved

The most improved agent lender is the one that increased its weighted score by the greatest margin over its 2016 score. **State Street** was the most improved in every region and globally for both weighted and unweighted.

very satisfied with the service State Street offer this year. Their services are very reliable and high quality. I can feel enthusiastic, energetic and positive about them.”

State Street was judged to be the most innovative agent lender by the largest number of beneficial owners around the world.

One respondent in EMEA commented: “I have seen innovations in new product offerings from State Street that other competitors do not currently offer and solutions to issues that some of their clients currently face, which other providers do not have” Another concurred: “They are bringing us new ideas.”

It was also the joint-winner of the most innovative category in Asia Pacific. One beneficial owner in the region praised its “enhanced indemnification for cash collateral management, proactive in exploring opportunities in the market to maximise yield for client’s portfolio, data transparency as well as client engagement and relationship management.”

“State Street has been proactive to come up with innovative ways to increase security lending income for our account,” commented an Americas respondent. Another stated: “They suggested a new structured lending product with an attractive lending income.”

### Citi

The 2017 survey produced a varied set of scores for Citi – it had some great scores in certain areas such as custodial programmes in EMEA and third-party ones in the Americas, in both cases particularly so from large lendable portfolio beneficial owners.

Citi’s standout performance was with large beneficial owners in EMEA, where it was the highest-rated firm under the weighted methodology. It is a title it also won in 2016. Its best global service category table position was emerging market coverage, unweighted.

Citi improved its weighted scores in both of the regions where it qualified, so also improved on average and in total.

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**FOLLOWING** significant development efforts and in consultation with our agent lender and beneficial owner clients, DataLend is excited to announce the release of our all-new Client Performance Reporting suite.

## STANDARDIZING PERFORMANCE MEASUREMENT

# BENEFICIAL OWNERS SURVEY 2017

In EMEA a beneficial owner commended it for “exploring new lending markets and thinking along with clients [how] to increase revenues”. Another highlighted its technology: “Quant model/software to extract maximum value out of assets”.

It was also the winner in EMEA, weighted, when only custodial lending programme responses were considered. Respondents commented that it “significantly outperforms the other agents” and “thinks along with clients

how to increase revenues and create new opportunities.”

Among custodial programme respondents, weighted, it also was the third-highest rated firm in the Americas. Its EMEA and Americas scores secured it third position for global average.

In the unweighted custodial lender tables it was third for the two regions for which it qualified, as well as global average and total.

In the weighted custodial lender service category tables it had a solid

performance across the board. It took the runner up spot for emerging market coverage and third-placed for the remaining 11 categories. In the equivalent unweighted category tables it was the runner up for lending programme parameter management and took the third place spots for six categories.

When it came to third-party agent lender programmes, its performance in the Americas secured the runner-up spot weighted and third-place unweighted.

In the Americas one respondent

that now uses only Citi stated it “has significantly increased the amount of our securities out on loan” while another stated “they have been able to provide consistent income.” A further one added: “They offered some options for cash reinvest with money market reform – their systems ensure that we are maximising the revenue potential for the funds.”

Beyond purely financial aspects, others praised its other attributes: “Citi is very informative and provides tremendous personal service”, “Thinking outside the box in order to get loans out to market” and “customising the programme to meet our conservative guidelines.”

Because it only qualified in one third-party region it was not eligible for consideration in the related service category tables.

## eSecLending

eSecLending performed very strongly in the unweighted

### CUSTODIAL LENDERS (WEIGHTED)

COMPANY	EMEA	AMERICAS	ASIA PACIFIC	GLOBAL TOTAL	AVERAGE
Citi	6.89	6.00	X	12.89	6.45
JPMorgan	6.88	7.51	6.17	20.56	6.85
RBC Investor & Treasury Services	5.39	5.33	X	10.72	5.36
State Street	6.00	7.49	6.30	19.79	6.60

### CUSTODIAL LENDERS (UNWEIGHTED)

COMPANY	EMEA	AMERICAS	ASIA PACIFIC	GLOBAL TOTAL	AVERAGE
Citi	6.35	6.28	X	12.63	6.32
JPMorgan	6.82	6.53	6.71	20.06	6.69
RBC Investor & Treasury Services	6.32	6.26	X	12.58	6.29
State Street	6.58	6.30	6.81	19.69	6.56

### CUSTODIAL LENDERS SERVICE CATEGORIES (WEIGHTED)

COMPANY	COLLATERAL MANAGEMENT	HANDLING OF CORPORATE ACTIONS/DIVIDENDS	INCOME GENERATED VS EXPECTATION	LENDING PROGRAMME PARAMETER MANAGEMENT
Citi	7.40	4.00	8.00	6.11
JPMorgan	8.51	4.77	8.64	6.72
RBC Investor & Treasury Services	6.77	3.67	6.83	5.10
State Street	8.42	4.60	8.67	6.22

COMPANY	DEVELOPED MARKET COVERAGE	EMERGING MARKET COVERAGE	PROGRAMME CUSTOMISATION	PROVISION OF MARKET AND REGULATORY UPDATES
Citi	3.83	2.69	5.22	3.52
JPMorgan	4.24	2.90	5.46	3.92
RBC Investor & Treasury Services	2.92	2.02	4.41	3.11
State Street	4.09	2.66	5.69	3.94

COMPANY	RELATIONSHIP MANAGEMENT	REPORTING AND TRANSPARENCY	RISK MANAGEMENT	SETTLEMENT AND RESPONSIVENESS TO RECALLS
Citi	7.08	8.17	11.34	7.59
JPMorgan	7.53	9.01	12.48	8.71
RBC Investor & Treasury Services	5.89	6.96	9.83	6.51
State Street	7.66	8.57	11.68	8.08

### CUSTODIAL LENDERS SERVICE CATEGORIES (UNWEIGHTED)

COMPANY	COLLATERAL MANAGEMENT	HANDLING OF CORPORATE ACTIONS/DIVIDENDS	INCOME GENERATED VS EXPECTATION	LENDING PROGRAMME PARAMETER MANAGEMENT
Citi	6.08	5.91	6.08	6.42
JPMorgan	6.80	6.87	6.31	6.75
RBC Investor & Treasury Services	6.64	6.31	6.07	6.29
State Street	6.71	6.69	6.32	6.32

COMPANY	DEVELOPED MARKET COVERAGE	EMERGING MARKET COVERAGE	PROGRAMME CUSTOMISATION	PROVISION OF MARKET AND REGULATORY UPDATES
Citi	6.55	6.30	6.42	6.09
JPMorgan	6.94	6.80	6.38	6.56
RBC Investor & Treasury Services	5.93	5.85	6.38	6.40
State Street	6.78	6.35	6.68	6.63

COMPANY	RELATIONSHIP MANAGEMENT	REPORTING AND TRANSPARENCY	RISK MANAGEMENT	SETTLEMENT AND RESPONSIVENESS TO RECALLS
Citi	6.58	6.25	6.42	6.25
JPMorgan	6.69	6.63	6.75	6.88
RBC Investor & Treasury Services	6.43	6.29	6.57	6.23
State Street	6.79	6.26	6.32	6.42



tables. The clients that provided responses may have had smaller lendable portfolios but they were certainly impressed by its performance. It took the runner-up spot for global average, a result built on its second-places in EMEA and the Americas.

Indeed, SecLending improved on all of its unweighted scores on its 2016 results – in every region so also in total and on average.

Likewise, in the unweighted service categories it was a strong performer. It was the winner of three categories (in descending order): relationship management, lending programme parameter management, and reporting and transparency. It was runner-up for a further three categories and third-placed in one.

For third-party agent lending programmes it again performed best unweighted. It was the runner-up in terms of global average and total as well as for EMEA and the Americas. Weighted, it came in third-place across the board.

In the unweighted service categories it was again the winner of the three same categories. It was also in second position for the remaining nine. Weighted, it was runner-up in all 12 categories.

A theme among respondents was that eSecLending was full of ideas. “They are constantly searching for value and new opportunities,” stated one in EMEA, while others in the region commented “eSecLending is proactive, exploring new emerging markets” and “they are always approaching us with new trade

ideas and possibilities”.

A beneficial owner in the Americas commended its “nimbleness, and outside the box thinking. They constantly provide what we need and always look at various trades even if they are never executed.”

Others in the region commented that “eSecLending has been innovative with unique funding scenarios and with their auction process” and that it has “solid customer service, reporting and transparency are excellent.”

A respondent in EMEA singled out the CEO: “In the three years since Craig Starble took over, eSecLending has continued to deliver across its product range. The lending agent has a clear vision of their future and is completely client-led. No other agent lender has been able to offer us such a bespoke and high quality service.”

### Deutsche Agency Lending

Deutsche Agency Lending was considered the most innovative agent lender by the largest number of beneficial owners in the Americas.

One respondent in the region that uses Deutsche as its sole provider commented that “they have been innovative in managing through discussions around government fund vs. floating NAV cash collateral products.” Another stated “they have solutions to difficult problems.”

Deutsche Agency Lending’s best performance was for its third-party agency lending product, particularly among larger clients. Weighted, it

achieved the runner-up position for its global average and total scores.

“Proactive in working with other custodians to ensure maximum effectiveness of the programme,” commented one Americas respondent.

Its best region for third-party weighted scores was its home market of EMEA, where it attained second place. Unweighted, it achieved third-place for EMEA and on average and total.

In the all lender tables it improved its weighted score in EMEA and unweighted score in the Americas over its 2016 scores.

One beneficial owner in EMEA praised its “forward-looking handling of German equity transactions”. Another commented: “We are very satisfied with the services of Deutsche Agency Lending. The London team is very responsive and professional.”

Other highlights were third-place finishes for the unweighted all lenders service categories of relationship management, reporting transparency, and income generated versus expectation (jointly).

Several beneficial owners in the Americas were full of praise: “Deutsche has been an excellent provider for us. Their staff is one of the best,” commented one, “excellent earnings generated in a risk-managed environment,” stated another, while a further one was “very happy with them so far!”

One respondent in the Americas appreciated its “great customer service and problem solving, great securities lending programme,” while another said

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IN ADDITION to an enhanced look and feel with an all-new graphics library, the updated architecture increases data flexibility and provides a more intuitive screen layout and workflow.

## STANDARDIZING PERFORMANCE MEASUREMENT

# BENEFICIAL OWNERS SURVEY 2017

that “Deutsche Agency Lending has been a great partner from programme implementation through present-day. They have exceeded our earnings expectations as well as our relationship and customer service expectations. We appreciate their ability to customise our programme to our needs and real-time reporting. We look forward to working with them for years to come.”

## RBC Investor & Treasury Services


RBC Investor & Treasury Services (I&TS) was judged to be the most innovative provider by the largest number of beneficial owners in EMEA. One respondent in the region noted its “well-

controlled operating infrastructure... and comprehensive web-based reporting system”. Another commended its “adaptation to change and proactivity in servicing the fund when new regulatory requirements occur” while another simply stated “we have a very proactive relationship with RBC”.

RBC I&TS performed best relative to its peers when only custodial lending arrangements were considered. It had several areas of strong performance. Unweighted, it achieved the runner-up spot for risk management, reporting and transparency and programme customisation (jointly).

Respondents in the Americas

commended its “great reporting, low fail rate and recalls for proxy voting” and “knowledge and experience with the programme.”

RBC I&TS had its highest service category position for risk management, unweighted. In the Americas one stated: “RBC provides us with a competitive product that is well managed and generates supplemental income for next to no risk. Our major plan sponsors are comfortable with RBC’s product and its execution.” In EMEA a respondent commented: “RBC Investor & Treasury Services guarantees a stable and sustainable service, as well an open mind to what’s coming in the future.” 

### THIRD-PARTY AGENT LENDERS (WEIGHTED)

COMPANY	EMEA	AMERICAS	GLOBAL TOTAL	AVERAGE
Citi	X	6.03	X	X
Deutsche Agency Lending	6.18	5.24	11.42	5.71
eSecLending	5.51	5.89	11.40	5.70
Goldman Sachs Agency Lending	<b>6.28</b>	<b>7.02</b>	<b>13.30</b>	<b>6.65</b>

### THIRD-PARTY AGENT LENDERS (UNWEIGHTED)

COMPANY	EMEA	AMERICAS	GLOBAL TOTAL	AVERAGE
Citi	X	6.39	X	X
Deutsche Agency Lending	6.59	6.37	12.96	6.48
eSecLending	6.73	6.61	13.34	6.67
Goldman Sachs Agency Lending	<b>6.82</b>	<b>6.71</b>	<b>13.53</b>	<b>6.77</b>

### THIRD-PARTY AGENT LENDERS SERVICE CATEGORIES (WEIGHTED)

COMPANY	COLLATERAL MANAGEMENT	HANDLING OF CORPORATE ACTIONS/DIVIDENDS	INCOME GENERATED VS EXPECTATION	LENDING PROGRAMME PARAMETER MANAGEMENT
Deutsche Agency Lending	6.65	3.31	7.11	5.15
eSecLending	7.21	4.02	7.24	5.60
Goldman Sachs Agency Lending	<b>8.41</b>	<b>4.56</b>	<b>8.59</b>	<b>6.40</b>

COMPANY	DEVELOPED MARKET COVERAGE	EMERGING MARKET COVERAGE	PROGRAMME CUSTOMISATION	PROVISION OF MARKET AND REGULATORY UPDATES
Deutsche Agency Lending	3.24	2.03	4.51	3.05
eSecLending	3.42	2.36	4.71	3.19
Goldman Sachs Agency Lending	<b>4.01</b>	<b>2.74</b>	<b>5.54</b>	<b>3.84</b>

COMPANY	RELATIONSHIP MANAGEMENT	REPORTING AND TRANSPARENCY	RISK MANAGEMENT	SETTLEMENT AND RESPONSIVENESS TO RECALLS
Deutsche Agency Lending	6.29	7.19	9.70	6.63
eSecLending	6.48	7.59	10.10	6.99
Goldman Sachs Agency Lending	<b>7.48</b>	<b>8.75</b>	<b>11.83</b>	<b>8.29</b>

### THIRD-PARTY AGENT LENDERS SERVICE CATEGORIES (UNWEIGHTED)

COMPANY	COLLATERAL MANAGEMENT	HANDLING OF CORPORATE ACTIONS/DIVIDENDS	INCOME GENERATED VS EXPECTATION	LENDING PROGRAMME PARAMETER MANAGEMENT
Deutsche Agency Lending	6.50	5.95	6.32	6.40
eSecLending	6.80	6.82	6.33	<b>6.83</b>
Goldman Sachs Agency Lending	<b>6.93</b>	<b>6.88</b>	<b>6.50</b>	6.75

COMPANY	DEVELOPED MARKET COVERAGE	EMERGING MARKET COVERAGE	PROGRAMME CUSTOMISATION	PROVISION OF MARKET AND REGULATORY UPDATES
Deutsche Agency Lending	6.48	5.91	6.44	6.33
eSecLending	6.64	6.55	6.67	6.50
Goldman Sachs Agency Lending	<b>6.88</b>	<b>6.73</b>	<b>6.75</b>	<b>6.69</b>

COMPANY	RELATIONSHIP MANAGEMENT	REPORTING AND TRANSPARENCY	RISK MANAGEMENT	SETTLEMENT AND RESPONSIVENESS TO RECALLS
Deutsche Agency Lending	6.84	6.52	6.44	6.44
eSecLending	<b>7.00</b>	<b>6.75</b>	6.58	6.67
Goldman Sachs Agency Lending	6.94	6.69	<b>6.69</b>	<b>6.88</b>

## SURVEY RESPONDENTS

*Global Investor* invited beneficial owners of all types to rate their agent lenders across 12 service categories (see below). The largest group of respondents was asset managers/mutual funds, representing 46%. The other significant groups were, in descending order: public pension funds, insurance companies, private pension funds, central banks, corporations, sovereign wealth funds and endowment funds.

Respondents were asked how many agent lenders they used. The clear majority use a single provider (68.7%) followed by two (21.4%), three (6.9%), five, (1.5%) and more than ten (also 1.5%).

Almost half (46.8%) had a total AuM greater than \$50bn. There was a uniform distribution of portfolio sizes right down to \$1bn although there was a sizable peak in the \$10-15bn bracket, accounting for 11.5% (most \$5bn-wide brackets represented approximately 5%).

Likewise, respondents were asked the total approximate value of their portfolio that is available to be lent. Numbers were smaller here (necessarily) but 25.2% of respondents still stated their available balance was larger than \$50bn.

Respondents were asked the approximate value of the assets that are typically out on loan at any point in time. These figures were much lower – none had more than \$35bn on loan and 69.1% had balances of \$2bn or less.

Beneficial owners were asked how satisfied they were with the returns on their lending programmes. The results here were very encouraging for the industry with widespread satisfaction: 38.1% were extremely satisfied; 46% were very satisfied; and 15.1% were moderately satisfied. Only a single beneficial owner was slightly satisfied and none were not satisfied at all.

Respondents were asked about the types of collateral they accept into their programmes. The most accepted forms of non-cash collateral were: sovereign debt 24.7%; equities 11.6%; corporate debt (financials) 9.09%; corporate debt (ex-financials) 8.2%; letters of credit 2.2%; convertible bonds 2.0%; and other 3.1%.

Respondents were also asked about the currencies they accepted for cash collateral. USD was the most popular at

24.7%; followed by euros 6.8%, sterling 4.3%, yen 1.1%, Australian dollars 1.1%, Swiss francs 0.6% and other 0.3%.

The respondents were asked about what influenced their choice of agent lender. For just over half (51.8%) the provider's credit rating was extremely important. For 41.7% it was very important and for the remaining 5% it was moderately important.

Programme indemnification is one of the most discussed topics last year and will remain so. Regulation has made it more expensive for agent lenders to provide indemnification, as capital must be allocated against it being offered. It is becoming increasingly common for agents to offer different fee splits for indemnified and non-indemnified programmes and it may be the case that they offer indemnification to certain clients and not others.

The respondents were asked how they would react if indemnification was no longer offered as part of the programme. 59.6% stated that they would close their programme. 9.9% stated that they would continue without indemnification. The remaining 30.4% stated that they would pay for indemnification.

Respondents were asked whether they started programmes with any new agent lenders in the last 12 months: 10.1% had added provider(s) and 89.9% had not.

Respondents were asked the importance that they attach to each of the 12 service categories. The respondents ranked the categories from 1 (most important) to 12 (least important). All rankings from around the world were then averaged and used in the process to create the weighted tables.

• Risk management	2.38
• Income generated versus expectation	4.5
• Reporting and transparency	4.72
• Collateral management	4.84
• Settlement & responsiveness to recalls	5.03
• Relationship management	5.83
• Lending programme parameter management	6.33
• Programme customisation	7.06
• Engagement on corporate action opportunities	8.15
• Developed market coverage	8.33
• Provision of market and regulatory updates	8.52
• Emerging market coverage	9.57

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# BENEFICIAL OWNERS SURVEY 2017

## METHODOLOGY

Beneficial owners are asked to rate the performance of their agent lenders across 12 service categories from one (unacceptable) to seven (excellent).

### Unweighted methodology

All valid responses for each agent lender are averaged to populate unweighted tables. All responses are given an equal weight, all categories are given equal weight and no adjustment is made for differences in regional averages.

### Weighted methodology

**Step one – weighting for lendable portfolio:** A weighting is generated to reflect to the size of the respondent's lendable portfolio. Each respondent is put into one of four groups depending on its lendable portfolio and assigned a weighting.

For the purposes of the 2017 survey all Asian responses are given a weighting of 1. Asian responses are not included in determining the quartiles.

Lendable portfolio	Weighting
Below first quartile	0.7
Between first and third quartile	1
Above third quartile	1.3

**Step two – weighting for importance:** A separate allowance is made for how important beneficial owners in aggregate consider each category to be. Respondents are asked to rank each category in order of importance. An average ranking is then calculated for each of the twelve categories. The weightings are within a theoretical band between 0 and 2 with an average of one to preserve comparability with unweighted scores.

**Step three – regional variation:** An allowance is also made for differences between average scores in each region to make meaningful global averages.

## TABLES AND SCORES

The following scores are calculated for every qualifying agent lender: for each region (where the responding beneficial owners are based), a global total and a global average. Scores for service categories are calculated globally only.

### All lenders tables

These contain all beneficial owner responses regardless of its relationship with the agent lender, whether custodial or third-party.

Lenders must receive a different minimum number of responses to qualify in each: seven in the Americas, five

responses in Europe, Middle East and Africa (EMEA) and four in Asia Pacific. To qualify globally, a lender must qualify in at least two regions.

### Custodial and third-party agent lender tables

Ratings of lenders acting in a custodial or third-party agent lender capacity are recorded in separate tables. If the relationship involves both forms of arrangement, the response counts for both the custodial and agent lender tables. All the tables calculated for all lenders are replicated for custodial and third-party agent lenders separately.

The qualification criteria is lower for the custodial and agent lender tables compared with all lenders. To qualify for either the overall custodial and third-party agent lender tables, lenders need five responses in the Americas, four in EMEA and three in Asia Pacific.

### Most improved

The agent lender that improved its score by the greatest margin over its equivalent 2016 score is the most improved firm. Agent lenders are ineligible if they did not qualify for the 2016 survey.

### Service categories

Respondents are asked to rate each of their providers from one (lowest) to seven (highest) across 12 service categories. The ratings of respondents for each service category are averaged to produce the final score for each provider. The service categories are listed in the survey respondents box on page 9.

To qualify for each service category table, the lender needs the same amount of responses as to qualify for the corresponding main table; i.e., to qualify for an all lender, custodian or agent lender service category the lender must qualify in two of the three regions. A lender can qualify in some categories and not others – it does not have to qualify globally for every service category to be included in some categories.

## VALID RESPONSES

For a response to count for the purposes of qualification, the beneficial owner must rate the agent lender in no fewer than eight of the 12 service categories.

It is possible for a lender to qualify globally or regionally without qualifying for all associated service category tables.

If a lender receives two or more responses in the same region from the same beneficial owner, an average of the ratings will be taken and it is considered to be one response (they are considered separate if for different regions).