

It is no secret that prime brokerage has undergone a period of significant change in recent years. Stricter regulations in the wake of the GFC and Archegos saga, have imposed greater transparency and risk management procedures across the industry. Where once the market was dominated by global investment bank behemoths, increased costs and the dialling-in of their risk propensity saw many of these institutions pull back on services. “There’s been a mass exodus of global investment banks pulling back from the emerging asset manager market which has left a big gap in the prime services sector,” outlines Dale Klynhout, managing director, Lazarus. Ultimately, where once an asset manager had a litany of prime brokers to choose from, they now are knocked back on various grounds – whether it be due to their size, revenue, or legal structure. Further, even if a client is able to get into the door at one of these Tier 1 investment banks, there is every likelihood they will face difficulties obtaining the high-touch, bespoke service many are after. According to Oscar Bernardi, dealing associate, Lazarus, this gap in the market “has left many clients underserved and, as a consequence, less likely to achieve their desired returns.” Bernardi believes “clients deserve better and have an opportunity to do so through Lazarus’ specifically tailored solutions.”

A bespoke prime solution

Simply put, asset managers are tired of not being a top priority at Tier 1 institutions. For a number of years now, these banks have looked to veer resources away from their prime brokerage desks and towards other business lines, making the operating environment increasingly difficult for many clients. “Where once managers could lean on a trusted prime broker to access the services necessary to remain competitive, many are now left under-resourced and behind the eight ball when it comes to focusing on their primary role – generating returns,” Klynhout highlights. Unlike at some of the larger institutions, independent prime offerings focus on providing a seamless and tailored client experience, irrespective of the size of the fund. “Personalised service ensures asset managers can remain agile and responsive to market conditions while knowing they’re

going to be supported through the decisions they make”. Klynhout goes on to point out that an additional benefit of a bespoke prime model for asset managers is the “greater access managers have to decision-makers, meaning communication is more direct, transparent, and efficient.”

Leveraging the modern prime broker

Gone are the days of pure-play execution

and financing. Asset managers can now turn to their prime broker for day-to-day operations, like clearing and settlements, to market insights and connectivity through research and capital introduction. Bernardi describes how the scope and role of a modern prime broker has shifted significantly in recent times, and that managers now expect a holistic approach from their prime provider. “Our partners want

to draw on expertise across a range of asset classes and services – and our first-in-class integrated prime, custody and FX solutions enable them to do so.” Klynhout adds that “prime brokers must be prepared to change alongside their clients, and recently, this change has been a preference towards outsourced trading partnerships.” This is a trend that Lazarus anticipated and one where they see themselves as a leading

provider. “Our partners can leverage world-class trading expertise across new geographies, while also benefiting from smooth back-office functions and enhanced operation resilience.” In turn, Lazarus’ team is equipped to offer either full or partial trading support to asset managers around the world.

A point of difference

Asset managers are actively seeking

partnerships with prime brokers that provide streamlined access to essential markets and services, ensuring they remain competitive against their peers. “The nature and importance of a prime relationship can have significant ramifications on the success of a portfolio,” Klynhout reveals, and adds that “a bespoke model does not take this for granted and instead, prioritises a funds success”. There is no one-size-fits-all solution for prime brokerage, as different asset managers and investment strategies have different needs. Klynhout explains that “an independent prime broker should have a deep understanding of these needs, and be in a position where they can provide a comprehensive suite of products to ensure clients remain flexible and are able to take advantage of opportunities.”

He goes on to detail that while larger prime brokerage institutions can usually provide firms with the products they are after, in reality, the level of detailed, personalised service clients look for is reserved for the bigger revenue earners. “The markets are forever changing, and our partners want a product that is flexible in incorporating their evolving needs. Because of the sheer size of prime brokerage floors at some of the larger institutions, certain asset managers find themselves ill-equipped and unable to implement a given trading strategy or process, while also finding it difficult to escalate issues quickly as they arise.” Klynhout believes that this is where a point of difference for independent providers like Lazarus can be found – the boutique offering isn’t about volume or frequency like some of the larger institutions, it is about partnering with asset managers. “Lazarus is in a unique position where we have the facilities in place to offer integrated tier one prime broking, custodial and FX solutions; while simultaneously providing a personalised service for all funds.” Before highlighting that “there are not too many providers who can claim to be a one-stop-shop while providing clients with an allocated dealer who acts as a sole point of contact for all trading, administration, and reporting requests.” With uncertainty continuing to plague the market, Klynhout concludes that “this level of service is critical for clients as they navigate a tricky economic and regulatory landscape.”

Prime brokerage for emerging asset managers: THE LAZARUS EFFECT

The TRADE sits down with Dale Klynhout, managing director, Lazarus, and Oscar Bernardi, dealing associate, Lazarus to discuss how the buy-side’s priorities are shifting when selecting a prime broker and how Lazarus is addressing the current gaps in the market.



Dale Klynhout