



# Prime Brokerages for the Rest of Us

By Steven Marlin, Reporter

Hedge funds with under \$1 billion in assets, considered small by bulge bracket standards, are seeking services through multiple prime brokers, Ron Suber, senior partner of Merlin Securities, told Markets Media.

In response to investor needs for transparency, hedge funds are diversifying risks by varying the asset classes and exposures in portfolios and by having assets held at multiple banks. “Funds are increasingly looking at their custodial risk in addition to the usual notions of portfolio risk,” said Suber, whose firm provides a one stop shop for custody, trade, clearing, and reporting services for 435 hedge funds.

By offering a choice of custodians and an “out of the box” multi-prime solution with JP Morgan Clearing Corp., Goldman Sachs Execution and Clearing (GSEC), and Northern Trust, Merlin allows fund managers to diversify custodial risk while offloading the administrative, operational and technology burden of managing multiple prime brokers.

“We can provide a solution for clients that don't meet the [bulge bracket] standards for revenue and asset size, and enable them to reform and articulate their edge like funds with over \$1 billion,” said Suber.

The company provides an order management system at no charge which connects to trading systems from JP Morgan (Neovest), Goldman Sachs (Redi), and Knight, and offers connections to a real time performance and analytics system (Compass) and a proprietary data aggregation suite that facilitates multi-prime reconciliation and reporting (Merlin Reporting).

Together, said Suber, these systems “help hedge funds articulate their edge and what makes them unique,” such as by being able to provide investors with snapshots of asset allocations, attribution, exposure, and performance.

Hedge fund managers have had to scramble to compute the amount of alpha they contribute over benchmarks for different strategies. “In the past, hedge funds would have had to scramble to come up aggregated performance of longs and shorts,” he said. “Now they get it as part of their prime brokerage service.”