

SocGen takes on all comers in the Asian hedge fund prime services space

Societe Generale Prime Services has beefed up its presence in Asia with the aim of becoming a top-tier provider of prime services across a wide variety of strategies, asset classes, products and clients in the region

It has been more than three years since French bank Societe Generale (SG) acquired full ownership of prime broker Newedge, which it quickly renamed Societe Generale Prime Services.

For James Shekerdeman, head of the group's prime services offering in Asia, it has been almost two years since he moved to Hong Kong from London to lead the operation.

His time in the region so far seems like time well spent.

Notwithstanding the challenges that still lie ahead, Shekerdeman is convinced that the group's ambition to become a top-tier provider of prime services in Asia is within reach, with the platform ready to take on all comers on the back of the full integration of the Newedge team with SG.

"The team is already competing with the incumbent top five prime brokers in the region, thanks to a large degree to the smooth integration we have achieved," says Shekerdeman.

He adds that the business has seen strong momentum, with the strongest source of growth coming from equity prime brokerage. That segment has continued to expand this year, assisted by the consolidation in the industry in recent years that has seen some of the leading prime brokers abandoning smaller clients due to mounting operational and financial challenges.

Shekerdeman says that unlike some of its peers providing prime brokerage in the region, SG remains strongly committed to supporting all types and sizes of managers not only in the listed derivatives & equity space, but also in OTC, fixed income and FX prime brokerage.

Shekerdeman says the last 20 months have been a very busy time for him as he got up to speed with his team across the region – based in Korea, China, Australia, Singapore, India, Hong Kong and Japan.

The offering, he adds, provides very strong value added services including best in class capital introduction, which is "very well established with a great understanding of both manager and investor needs".

He adds: "The franchise benefited from Newedge's solid footprint in CTAs, macro hedge funds, proprietary trading groups and quant funds – and we are now seeing growing flows from Asia, including those from Asian hedge funds trading US and European markets. As a business, we are still keen on supporting early stage managers, and are well positioned to attract more multi-strats. We feel very positive in terms of gaining traction now that we have the SG brand behind and supporting us. That is the message clients are giving us."

Shekerdeman is aware of the danger of a franchise expanding too broadly and too quickly, in losing its focus and getting sidetracked, which is why he stresses the importance of focusing on the team's core expertise in liquid markets, including its strength in listed derivatives, as it expands from its traditional client base.

"The opportunities are there but we must constantly remind ourselves what and where we are good at and focus on that," he says.

He identifies Japan as being one of the strongest markets in the region for Societe Generale Prime Services based on client demand. "We also see opportunities with both China and India, and Korea is a well-established market for us.

Shekerdeman says the group's priority is not to simply take market share from competitors, but that a key objective has always been to provide clients with the best possible service.

He notes that Asian prime brokerage has evolved in recent years as regulatory initiatives mandated central clearing, a development that plays to SG's strengths as a global clearer used to processing large volumes.

"Through our strong presence as a clearer across all markets, clients feel supported not just from a trading standpoint but also from financing perspective," he says. "The prime business is not simply based around



James Shekerdeman

price, but as much about demonstrating your commitment and transparency towards clients."

Ramir Cimafranca, who runs the prime business for Societe Generale in Japan, says OTC clearing is a natural extension of what SG does in exchange-traded derivatives where it is has been a top clearer for a long time.

"While some others came earlier into the OTC clearing game, it's a natural franchise for us and we are looking to be there for the long haul," says Cimafranca.

He notes that the industry has already seen significant realignments with several banks going into OTC clearing, seeing it as a natural extension of their counterparty business, while a number have decided to get out of it upon realising that CCP clearing is a scale business that they were not appropriately set up for.

Cimafranca says Societe Generale's unique prime services model allows it to service all types of asset classes. "We work with clients whether they are looking at exchange traded derivatives, OTC clearing, equity or fixed income products and can onboard them commercially based on their needs across all products," he says.

"We look at a client in a truly holistic manner, having the flexibility to view all their activity across Equity PB, Listed Derivatives, FX PB and OTC Clearing."

Jamie Gavin, the head of EMEA and Asia-Pacific OTC clearing sales at SG, says the Asian clearing landscape has changed considerably from where it was in 2016 and that the region will likely see a sharp increase in the volume of cleared trades across various asset classes.

"Clients are starting to diversify their exposures," he says. "While before they may have started with an US counterpart, many are now looking at a European counterpart and that's a situation that plays very nicely into our market strategy."