



# eSecLending

🏆 = Top Rated 🍷 = Commended ○ = Unrated ⊕ = Not Rated ★ = Best in Class

**BEST IN CLASS**

	Overall	Global	<\$1B	\$1B-\$10B	\$10B+	North America	Europe	Asia-Pacific	Single Provider	Multi-Provider
	⊕	⊕	⊕	⊕	⊕	🏆	⊕	⊕	⊕	⊕
<b>Earnings Performance</b>	6.42	n/a	n/a	n/a	n/a	★	n/a	n/a	n/a	n/a
<b>Risk Management</b>	6.14	n/a	n/a	n/a	n/a	★	n/a	n/a	n/a	n/a
<b>Relationship Management</b>	6.92	n/a	n/a	n/a	n/a	★	n/a	n/a	n/a	n/a
<b>Client Service</b>	6.68	n/a	n/a	n/a	n/a	★	n/a	n/a	n/a	n/a
<b>Product Development</b>	5.96	n/a	n/a	n/a	n/a	★	n/a	n/a	n/a	n/a
<b>Reporting</b>	6.06	n/a	n/a	n/a	n/a	★	n/a	n/a	n/a	n/a
<b>Operational Capabilities</b>	6.02	n/a	n/a	n/a	n/a	★	n/a	n/a	n/a	n/a
<b>Compliance</b>	6.25	n/a	n/a	n/a	n/a	★	n/a	n/a	n/a	n/a
<b>TOTAL</b>	<b>6.31</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>6.31</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

**This is an impressive debut**, albeit one based on a relatively small number of responses. However, eSecLending, as third party agent lender, would not claim to offer the same range of services and routes to market as an orthodox agent lender. But it, nevertheless, leads the survey on overall average score, and returns average scores in every service area that are never less than “very good,” usually excellent, and that occasionally come close to perfection. **“eSec is an industry innovator,”** writes one client. **“Their commitment to people and technology is incredible; [we] could not be more pleased with [our] working relationship with eSec.”**

That the firm wins its best score for relationship management will please eSecLending, given its emphasis on a consultative and customized approach to both lending and collateral management.

But eSecLending will ultimately be judged (and judge itself) by its ability to deliver higher returns than a traditional lending program, especially in those asset classes—small cap and international equities and corporate and emerging market debt—where its competitive auction methodology can add most value. Its score for earnings performance, which is comfortably the best in the survey, suggests that the firm is achieving this goal.

In fact, the list of strengths drawn up by one client reads as if it were drafted by the eSecLending PR department: **“Program customization, greater returns and the expertise and responsiveness of [the] relationship manager.”** A second client praises the **“excellent client service and product knowledge”** and the **“entrepreneurial and ambitious attitude of [the] organization,”** while a third is impressed by the **“foresight of market direction and business model.”**

So what is the downside of working with eSecLending? “None,” according to one client. **“eSecLending is a can-do, get-it-done company.”**

However, the comments include concerns about financial and operational strength, and one client who is otherwise impressed says that eSecLending is “a bit of a one-trick pony,” whose capacity to out-perform on the earnings front is threatened by potential changes to the tax treatment of foreign-to-foreign loans. His advice to the firm is to “develop significant alternative revenue streams.”

However, these scores suggest that eSecLending is more than capable of adapting its business to more demanding market conditions. After all, the credit crunch is scarcely an hospitable environment in which to be seeking exclusive bids for securities portfolios from investment banks.

## RESPONDENT PROFILE\*

**PROPORTION OF RESPONDENTS USING:**

Pooled Programs	60.0%
Custodial Agent Lender	40.0%
Exclusives	100.0%
Third Party Lenders	80.0%
Online Lending Platforms	40.0%
Auction Platforms	100.0%

**ASSET CLASSES LENT**

Domestic Equities	100.0%
International Equities	100.0%
Domestic Fixed Income	100.0%
International Fixed Income	100.0%

**NUMBER OF PROVIDERS USED**

1	40.0%
2	20.0%
3	20.0%
4	20.0%
5+	0.0%

**ASSET SIZE**

<\$1B	20.0%
\$1B-\$10B	20.0%
\$10B+	60.0%

**SIZE OF LENDABLE PORTFOLIO**

<\$1B	20.0%
\$1B-\$10B	40.0%
\$10B+	40.0%

Percentage of respondents who recommend this provider to others: 100.0%

\* Proportion of respondents who answered



# Methodology

**This year is** the first in which we have published a stand-alone securities lending survey. In previous years, securities lending was an integral part of the already lengthy questionnaire for our annual Global Custody Survey. The creation of a separate survey matches developments in the market, where agent lending is now only one option among several routes to market. It is important to note that this is a survey of beneficial owners and not borrowers. In all, a total of 131 responses were received on behalf of 15 providers. Of those, 12 providers received enough responses to be rated.

The questionnaire consists of 26 questions divided into eight categories (Earnings Performance, Risk Management, Relationship Management, Client Service, Product Development, Reporting, Operational Capabilities, and Compliance). Only minor changes were made to the wordings of some existing questions, but three new sections on relationship management, client service and product development were added to the questionnaire, increasing the number of questions by 10. Extensive changes were also made to the “About Your Securities Lending Activities” and “About Your Securities Lending Provider” sections of the questionnaire. Both were expanded to increase the background and profile information that we collect about respondents and their relationships to their service providers. A full list of revisions to the questionnaire is set out in the sidebar (see Box 1).

Respondents were asked to rate the quality of service from their providers on a scale of 1 to 7, where 7 is excellent; 6 very good; 5 good; 4 satisfactory; 3 weak; 2 very weak; and 1 unacceptable. The overall scores are a weighted average expression of how a securities lending agent scored in each area. The weightings are governed by two factors. First, credit is given for scoring well in areas named as important—respondents were invited to name the most important question in each category—by all respondents in the completed, qualifying questionnaires. Secondly, respondents are themselves weighted, according to the number of service providers used and the approximate value of total assets in custody with the provider.

We have retained the ratings scale familiar in all our other surveys, where a Top Rating 🏆 is based on securing an average weighted score superior to

the average weighted score for all providers in the survey in that category, while a Commended 🏆 rating is based on a mixture of scores, comments and other factors. We have retained the number of categories in which a provider can secure a rating to include three assets-in-custody categories (Less than \$1 billion, \$1-10 billion, and More than \$10 billion) and three regions (Asia, Europe and North America), as well as Single or Multiple Provider. The threshold to secure a rating in these categories was set at five responses. To secure a Global rating, a provider must be rated in at least two regions.

We have also included the Best in Class ★ awards familiar in other Global Custodian surveys, which recognize excellence in servicing clients of different sizes, types and locations in different service areas. They are available in each service area for all nine rating categories. Best in Class awards go to any provider that achieves an overall weighted average score that equals or betters the global weighted average score in that combination of rating category and service area.

We are grateful to the service providers and especially to their clients, who took the time to complete complicated questionnaires, for making this survey possible.

Our goal is to ensure that the results are both accurate and fair but, as always, we are pleased to hear of any errors, omissions or shortcomings, and of suggestions for improvements to the questionnaire, the survey process, and the presentation of the results.

Providers interested in examining the underlying survey data in more depth can purchase research reports. Anybody interested in these should contact Muzaffar Karabaev, director of research, at [mkarabaev@globalcustodian.com](mailto:mkarabaev@globalcustodian.com).

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## Table 2: League Tables

NORTH AMERICA		
	Provider	Score
1	eSecLending	6.31
2	Brown Brothers Harriman	6.24
3	PFPC	5.90
4	State Street Corporation	5.81
5	BNY Mellon Asset Servicing	5.79

GLOBAL LEAGUE TABLE		
	Provider	Score
1	BNY Mellon Asset Servicing	5.82
2	State Street Corporation	5.77

LESS THAN \$1 BILLION		
	Provider	Score
1	Brown Brothers Harriman	6.07
2	Citi	5.37
3	State Street Corporation	5.22

\$1-10 BILLION		
	Provider	Score
1	State Street Corporation	6.15
2	BNY Mellon Asset Servicing	5.92

MORE THAN \$10 BILLION		
	Provider	Score
1	State Street Corporation	5.95
2	Brown Brothers Harriman	5.81
3	BNY Mellon Asset Servicing	5.76
4	JPMorgan	5.74
5	Citi	5.11

EUROPE		
	Provider	Score
1	BNY Mellon Asset Servicing	6.07
2	State Street Corporation	5.72
3	JPMorgan	5.62
4	HSBC Securities Services	5.23
5	Citi	5.01

SINGLE PROVIDER		
	Provider	Score
1	Brown Brothers Harriman	6.07
2	BNY Mellon Asset Servicing	5.95
3	JPMorgan	5.88
4	State Street Corporation	5.79
5	Citi	5.35
6	HSBC Securities Services	5.28

MULTI-PROVIDER		
	Provider	Score
1	Brown Brothers Harriman	6.03
2	State Street Corporation	5.75
3	Citi	5.30

## Table 1: Best in Class Benchmark Scores

	<\$1 Billion	\$1-10 Billion	>\$10 Billion	North America	Europe	Asia	Single Provider	Multi-Provider	Global scores
<b>Earnings Performance</b>	5.55	5.90	5.62	5.83	5.27	5.41	5.72	5.58	5.64
<b>Risk Management</b>	5.73	5.92	5.66	5.89	5.46	5.40	5.81	5.66	5.73
<b>Relationship Management</b>	5.70	6.06	5.78	5.96	5.51	5.51	5.91	5.70	5.79
<b>Client Service</b>	5.70	6.14	5.90	6.10	5.46	5.63	5.91	5.84	5.87
<b>Product Development</b>	5.32	5.74	5.53	5.65	5.20	5.35	5.66	5.37	5.49
<b>Reporting</b>	5.45	5.90	5.65	5.76	5.42	5.39	5.68	5.58	5.62
<b>Operational Capabilities</b>	5.32	5.82	5.52	5.61	5.28	5.46	5.57	5.45	5.50
<b>Compliance</b>	5.52	6.07	6.06	6.10	5.55	5.53	6.01	5.82	5.90
<b>TOTAL</b>	<b>5.54</b>	<b>5.94</b>	<b>5.72</b>	<b>5.86</b>	<b>5.39</b>	<b>5.46</b>	<b>5.78</b>	<b>5.62</b>	<b>5.69</b>