

A Strong Niche in a Multi-Prime Broker World

As a bank-owned prime broker, Scotia Capital offers an extensive global footprint with longstanding local market expertise. Scotia Capital's Patrick Blessing and Kripa Kapadia discuss the challenges of a multi-prime environment and Scotia Capital's unique position as a Canadian prime broker.

What sets Scotia Capital apart?

Patrick Blessing: We consider ourselves the largest prime broker in Canada, with the best access to Canadian stocks. But it's a very different model outside of Canada. I would consider us a niche prime broker, where we are trying to act as second, third or fifth prime broker to U.S. and European funds ranging in size from approximately \$500 million to \$30 billion.



Patrick Blessing
Managing Director, Head
of Prime Brokerage

How does Scotia Capital position itself for the multi-prime brokerage environment?

Blessing: Funds are looking to diversify their financing relationships.

However, they are not looking for prime brokers to replicate exactly what they have with their other relationships.

Kripa Kapadia: We are the only bank in Canada to have prime brokerage locations outside of Canada and I think that certainly plays to a lot of our strengths. In addition, capital introduction is a core focus of our offerings. That extends to our Canadian clients as well as our international ones.

How do you coordinate relationships with custodians and administrators?

Blessing: This is where having a reporting system that is both flexible and functional is important to make the multi-prime/custodian model as seamless as possible for both the client and administrator. We need to ensure that the administrator has all the tools to provide a timely and accurate NAV across all the prime relationships.

How has securities lending changed since the financial crisis?

Blessing: I think it's played in favor of the strongest banks. Prior to Lehman, all broker-dealers were basically considered the same in terms of credit exposure. Now there is a lot more emphasis on the relative strength of counterparties. Therefore, Scotiabank and the majority of Canadian banks have become attractive counterparties to banks, brokers and hedge funds.

What technology services are clients demanding?

Kapadia: Clients are demanding technology that will allow for maximum efficiency and minimal human intervention through straight-through processing. We offer our clients a real-time web based reporting tool, and flexible protocols to exchange data with our clients. Clients are also demanding more information on risk analysis with regards to their portfolio, which we are able to provide our clients on a daily basis.

How do different regulatory regimes affect your global operations?

Blessing: The ever-changing regulatory environment has presented us with new challenges but also new opportunities. In London, for example, the key topic is UCITS III, the latest



**Kripa Kapadia, Associate
Director, Capital Introduction,
Prime Brokerage**

generation in funds that fall within the Undertakings for Collective Investments in Transferable Securities ruling, which allows them to operate freely throughout the European Union. These funds restrict various activities that a traditional hedge fund would allow. For example, UCITS III does not permit physical short selling, except by means of derivatives. Nor are commodities allowed, although commodity indexes are permitted, and individual positions are limited to five percent. You have to come up with new products to be able to service these types of funds.

In the U.S., the regulatory environment has become increasingly dynamic via an increasingly vigilant SEC. What it really boils down to is an increased operating cost; you have to ensure that you have the resources to deal with the changing regulatory environment.

What do you think the prime brokerage business will look like five years from now?

Blessing: One trend we will continue to see is the unbundling of services. Hedge funds don't want to have five identical prime brokers that are offering five identical services. You're going to have prime brokers that focus either on a particular asset class or a particular type of financing. We'll be focusing on a few key areas where we excel rather than trying to be all things to all funds.

Patrick Blessing, CFA is Managing Director and Head of Prime Brokerage for Scotia Capital. Based in Toronto, Patrick joined Scotia Capital Prime Brokerage in 2004 following the majority of his career based in London, UK as a Fund Manager with a large European asset management firm. Patrick has been instrumental in building out Scotia Capital's Prime Brokerage business in North America and Europe.

Kripa Kapadia is responsible for Prime Brokerage Sales and Marketing in Canada and Head of Capital Introduction (Americas) for Scotia Capital. Based in Toronto, Kripa joined Scotia Capital Prime Brokerage in 2005 following the start of her career at Goldman Sachs International, London. Kripa's international experience and strong investor relationships has been invaluable in strengthening Scotia Capital's Prime Brokerage and Capital Introduction platforms.



CONTACT INFORMATION

Patrick Blessing 416-945-5356 patrick_blessing@scotiacapital.com
Scotia Plaza, 40 King Street West Toronto Ontario, M5W2X6
www.scotiaprimebrokerage.com