



Global Association of Risk Professionals

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Financial Risk Managers Support Increasing Regulation on Prime Brokers, Family Offices

71% of Risk Managers Say Prime Brokers Need Stronger Regulation

JERSEY CITY, NJ, May 26, 2021 - A new Global Association of Risk Professionals (GARP) survey of Financial Risk Managers (FRM®) found a majority of respondents support increasing regulatory requirements on prime brokers and family offices.

The survey, part of the GARP Benchmarking Initiative's (GBI) Risk Snapshots series, was administered following the recent Archegos Capital Management meltdown, which set off a chain reaction in the markets that led to more than USD 10 billion in total losses for global banks.

According to the survey, which polled nearly 100 FRMs, 71% say that prime brokers need to be regulated more strongly and 65% believe family offices should be regulated more strongly. The percentage of those supporting increased regulation grows even stronger among those in firms with prime brokers — 76% of those respondents support more regulation for prime brokers and 71% favor it for family offices.

Seventy-eight percent of respondents felt family offices — similar to Archegos, which managed the fortune of former hedge fund manager Bill Hwang — should be required to file reports similar to those that hedge funds in the U.S. submit to the SEC, with 84% of the mindset that such reports would help prime brokers evaluate risks posed by clients. The numbers grew again for those at firms with prime brokers — 88% of those respondents support filing requirements similar to the SEC's — though the percentage of those believing such reports would help evaluate risks to clients dropped to 82%.

In addition, 79% of all respondents said that prime brokers should be required to report all exposures to regulators; 74% of respondents at firms with prime brokers agreed.

"Support for increased regulation of prime brokers and family offices among risk managers is important for officials to note," said Christopher Donohue, managing director of the GBI. "Risk managers need as much information as possible to ensure firms are taking appropriate risks and are prepared for the consequences. Their support for increased disclosure signals a greater need for transparency."

Some survey respondents also noted tension at their firms between business lines and risk management regarding limits and margin requirements around prime broker positions. Nearly 40% said those levels of tension range from "meaningful" to "extreme," while 61% reported that it wasn't a serious issue. Similarly, 32% said the tension between business lines and risk

management regarding the speed of liquidation of client collateral when they violate margin requirements could be classified from “meaningful” to “extreme,” with 68% saying it wasn’t generally an issue.

“It’s important for CEOs and other business leaders to consider the results of the survey regarding tensions between risk management and business lines about prime brokers and unwinding positions,” said William May, global head of certifications and educational programs at GARP. “With a significant portion of risk managers noting ‘extreme’ or ‘meaningful’ tension, business leaders need to assess whether risk management is coming under undue pressure at their organization, possibly leading to improper risk taking and negative business consequences.”

To view this survey and read other Risk Snapshots from the GBI, visit [here](#).

About the Global Association of Risk Professionals

The Global Association of Risk Professionals is a non-partisan, not-for-profit membership organization focused on elevating the practice of risk management. GARP offers role-based risk certification – the Financial Risk Manager (FRM®) and Energy Risk Professional (ERP®) – as well as the Sustainability and Climate Risk (SCR®) Certificate and on-going educational opportunities through Continuing Professional Development. Through the GARP Benchmarking Initiative and GARP Risk Institute, GARP sponsors research in risk management and promotes collaboration among practitioners, academics and regulators.

Founded in 1996, governed by a Board of Trustees, GARP is headquartered in Jersey City, NJ, with offices in London, Washington, D.C., Beijing, and Hong Kong. Find more information on garp.org or follow GARP on [LinkedIn](#), [Facebook](#), and [Twitter](#).

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