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CONTINUE YOUR TRADE:

# When a Portfolio Manager Starts a Family Office

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*A series of insights and considerations from AGP Prime Brokerage.*

## FAMILY OFFICE

### Does this Apply to Me?

If you're a portfolio manager — which we broadly define as anyone with responsibility for managing outside investor capital for a fee — and you want to step back from managing others' money while continuing to do so for yourself or a smaller group, you are a family office.

The transition sounds simple, but the structural, operational and brokerage implications are significant. This document is designed to help you navigate them.



## PORTFOLIO ACCOUNT TYPE CONSIDERATIONS

Family Offices, unlike hedge funds, can encompass a wide range of account types — rollover IRA, trusts, foundations and personal accounts of the principal, family members and close associates. This breadth provides the family fund manager with investment scale, which matters when making investment decisions.

**Many large prime brokers are not operationally structured or permitted by compliance policies to hold non-institutional or "heartbeat" accounts. To maximize operational alpha, find a prime broker that accommodates any account type — not as a favor, but as a strategic element of their offering.**

## DO I NEED A PRIME BROKER?

Wealth Management Platform	VS	Prime Brokerage Solution
<ul style="list-style-type: none"> <li>✓ Familiar interface</li> <li>✓ Handles trusts &amp; IRAs</li> <li>✗ Limited investment products</li> <li>✗ Proprietary products pushed</li> <li>✗ Restricted counterparties</li> <li>✗ Lower trading sophistication</li> </ul> <p>Best for: Simple personal accounts <small>Not ideal for Active Trading Strategies</small></p>		<ul style="list-style-type: none"> <li>✓ Full product suite available</li> <li>✓ Multiple executing brokers</li> <li>✓ All account types supported</li> <li>✓ Institutional-grade reporting</li> <li>✓ High-touch service model</li> <li>✓ Stock loan &amp; margin available</li> </ul> <p>Best for: Active family office managers <small>Designed for high level of sophistication</small></p>

*Wealth Management Platform vs. Prime Brokerage — a side-by-side comparison for the transitioning portfolio manager.*

It depends. Many money managers have personal accounts on a wealth management platform while running their fund, and the reflex is to use that same platform for the family office. While this provides some capability — especially around diverse account types (trusts, IRA, etc.) — it will likely limit access to many investment

products and reduce the counterparties available to your strategy.

Wealth management firms may be highly incentivized to keep you in *their* products rather than recognizing that your wealth is the result of **you** being the product. The idea of using your fund's former prime broker presents its own challenges. There are, however, prime brokers that offer the account, product and counterparty diversity you likely need — while providing exceptional safety, scale, and service.

## WHAT IS A "MINI" PRIME?



A "Mini" prime — more properly called an *introducing prime broker* — services your accounts on the books and records of a clearing firm's large prime. This enhances your counterparty exposure to that of the larger firm holding your account.

The introducing prime manages all trading, clearing and service functions touching you and owns your relationship outcome. The larger clearing prime provides processing, custody and financing. In many ways this model delivers the best of both worlds.

## WHO IS THE RIGHT PRIME BROKER FOR YOU NOW?

While it may seem you have many prime brokers to choose from, your size, account types and unique service requirements will quickly narrow the field. Unless you are a family office that can afford a major league sports franchise, you will likely not qualify or be well served by many large name-brand prime brokers.

***Safety · Scale · Service — the three due diligence pillars every family office should evaluate.***

### **Safety: Where will your counterparty exposure be?**

The net capital and balance sheet of your prime broker and its custodian matter deeply. While our regulatory system is perhaps the world's safest, we continue to see blow-ups that materially alter prime brokerage firms — Credit Suisse being a recent example.

### **Scale: How well can your prime broker perform its tasks?**

Competency and efficiency vary considerably in the mid and introducing range — product capability, volume handling, reporting flexibility, third-party integrations, and more. Beware of "Jack of All Trades, Master of None" solutions.

### **Service: You may need it now more than ever.**

As a hedge fund you had many specialized service providers. As a family office, fewer providers are needed — but your reliance on each one intensifies. Choose partners whose service depth matches your new reality.

## GET OFF TO A SMART START

Great service starts at the inception of the relationship — account opening and asset transfer. Converting from a fund to a family office can involve complex or in-kind assets, requiring careful coordination.

The better service providers hold your hand throughout, engaging counterparties to ensure timely and accurate information. Cost-basis data must be captured upfront and relayed to the new custodian — a detail that pays dividends at tax time.



## A SERVICE RELATIONSHIP BUILT ON MUTUAL TRUST AND COMPLIANCE

Special handling of tax reporting is a service often overlooked during prime broker selection. Taking care at the start of the relationship and during asset transfer goes a long way toward ensuring a smooth and successful long-term partnership.

## UTILIZING MULTIPLE EXECUTING BROKERS

A family office will likely want to continue using multiple executing brokers for research, conference access, best execution and more. Relationships built during your hedge fund years remain valuable. Your prime broker must understand that you have execution needs and commission spend that fall outside its own revenue path.

The better service providers want their clients to achieve optimal trading outcomes. "Higher touch" service means trade reporting can be done verbally, via email or automated from your EMS — not forced into a rigid portal. **Be wary of one-size-fits-all approaches.**

## A DAILY RHYTHM



Once on a platform, day-to-day operations should run like a well-oiled machine. A boutique prime broker understands your rhythm — handling options assignments, corporate actions, trade fails, buy-ins and house calls efficiently and proactively.

*A house call is not a bad thing — it means you've pushed your strategy to its limits. A high-touch provider engages thoughtfully, not through arbitrary automated liquidation.*

## OPTIMIZING YOUR NEW INVESTMENT PRODUCT SET

Converting from a fund to a family office may require recalibrating investment strategies and the products that support them. Certain derivative products may no longer be available or suitable at a smaller scale. Listed options strategies and long/short ETF products are often more readily accessible and may express the same thesis.

Some boutique prime brokers with dealer capabilities also welcome qualified investors into new issue fixed income offerings — an expanded product set that may not be available at wealth management platforms.

## OVERHEAD & INFRASTRUCTURE CONSIDERATIONS

**Avoid proprietary lock-in.** Take an "app" approach — select tools that can be swapped as capabilities evolve, minimizing switching costs. Proprietary research tools and trading screens can become anchors.

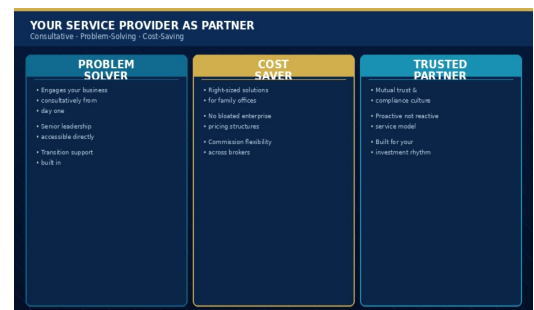
**Right-size your trading systems.** Consult your prime broker on fit. Not all systems handle all products equally well; the combination of a trading system and desk coverage — or just the desk — may be most appropriate for your volume.

**Data and reporting.** Your prime broker should seamlessly accommodate specific formats or third-party providers without friction.

## USE YOUR SERVICE PROVIDER AS A PROBLEM SOLVER & COST SAVER

A good service provider approaches your business consultatively. As you embark on the transformation, engage senior management at the prime broker to discuss needs and expectations early.

Co-opt the traditional salesperson role — develop a direct dialogue with the head of client service. These are the people who matter most in the transition and in the day-to-day relationship.



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## About AGP Prime

AGP Prime is the prime brokerage services division of A.G.P. / Alliance Global Partners, providing prime brokerage services to hedge funds, family offices, professional traders and top-tier small/mid-cap investment funds. AGP Prime offers multi-clearing, cloud-based, high-touch client service solutions tailored to each client's business needs, striving to continuously provide exceptional client advocacy for today's evolving regulatory and business environment.

AGP Prime utilizes advanced technology solutions and multiple clearing partners to provide clients with the best range of trading, global custody, financing (margin lending and stock loan) and securities processing solutions — seamlessly bringing these capabilities together for a one-stop-shop client experience.

AGP Prime is introducing prime broker to National Financial Services LLC (NFS), a division of Fidelity Investments, among others. As of July 2024, NFS reported regulatory excess capital over \$9.7B. AGP Prime supports a full range of account types at NFS: individual, joint, entity, trust, IRA, UGMA/UTMA, and more.

## About A.G.P. / Alliance Global Partners

A.G.P. / Alliance Global Partners is an investment banking and advisory firm, a member of FINRA and registered with the SEC since 1980. A.G.P. provides a full range of high net worth wealth management and capital markets services focused on global middle market institutional clients.

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