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HFMGlobal: Shifting tides of advisory

20 - Jun - 2019

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Antony Bryceson, of AB Trading Advisors, lays out the firm's vision and the changes they've been seeing since their inception.

"We're very niche – if a project or transaction falls within our specialist areas of expertise, we will take it on. If it doesn't, we won't."

Q: *You launched AB Trading Advisors in 2014. How has the firm progressed since its inception?*

A: AB Trading Advisors is a legal services advisory firm which launched in 2014 to advise buy side clients on counterparty documentation and regulation. We're based in the City. We focus on prime brokerage, derivatives, clearing, ISDA protocols, repo, loan trading and other investment activity, as well as associated regulation in these areas (of which there is now a considerable amount).

The two most important features of AB Trading Advisors are that (1) we are independent and (2) we are low cost.

By 'independent', we mean in the sense that we only act for the 'buy side' of the market, in which case we are not affected by conflicts of interest, as we don't act for sell side firms.

And we're low cost in the sense that we provide an overall service equivalent to, or better than, the larger firms who are our competitors (and where our practitioners come from), but our fees are significantly lower.

In terms of progress since 2014, we have approximately tripled client numbers, as well as turnover.

Q: *What was the genesis of the firm?*

A: I was formerly a partner with Simmons & Simmons, and then held a similar position at US firm Sidley Austin. I always wanted to have a go at launching my own firm.

It was the perfect time for me personally to start a new firm, with some grey hairs and masses of experience under my belt.

A number of junior lawyers have been working with me in the firm, and fifteen months ago I was joined by former colleague Richard Chapman, who worked with me extensively at Simmons.

We have a strong work ethos in our firm. We're strong on efficiency. During the boom times of the noughties, when things were exceptionally busy, we needed to maximise efficiency, and that has never left us.

Q: *What kind of work do you cover?*

A: Our main 'bread and butter' work involves advising on counterparty agreements associated with prime brokerage, repo, OTC

derivatives, futures and clearing, as well as general terms and conditions and broker issues. We deal with all contracts and regulatory issues which a typical hedge fund encounters when it invests/trades, in all the ways it does that.

Recently we have been doing an increasing amount of loan trading work, and we recently advised on a substantial repackaging transaction.

We have become, by necessity, regulatory lawyers, as the volume of regulation covering our specialist areas has increased exponentially over the last decade. For example, we need to be conversant with all relevant requirements under the European Market Infrastructure Regulation (Emir), the Alternative Investment Fund Managers Directive (AIFMD), Mifid II and Mifir, and more recently the Emir Refit proposals. We're very niche – if a project or transaction falls within our specialist areas of expertise, we will take it on. If it doesn't, we won't.

Q: *Do you draft your own agreements?*

A: Mostly we are reviewing and making changes to documentation originating from others. However, we do from time to time draft template agreements in our house style for clients to use for their own purposes – for example, total return swaps (either long form or with an ISDA Master Agreement), loan agreements, pledge agreements, rebalancing agreements, account control arrangements and general terms and conditions.

Q: *What is unique about your firm's offering?*

A: First, we are more like a law firm than a documentation shop. Due to our collective experience and thorough approach, we should be able to offer the highest level of insight. On the quality scale we want to be seen as being at the top, whilst at the same time being practical and sensible.

For fund launches, clients use us for our specialist areas, alongside a larger firm which takes care of the fund formation work (i.e., preparation of the private placement memorandum/prospectus and key fund agreements such as the investment management agreement). Our piece primarily involves reviewing and advising on the 'onboarding' agreements with each prime broker, negotiating ISDA Master Agreements (including with the prime brokers), advising on regulatory status, advising on ISDA protocols, negotiating delegated reporting agreements, and so on.

A general trend has emerged, over the past five to ten years, of clients using multiple firms to advise in specialist areas, as opposed to relying on different departments of one firm to cover their needs. In other words, use the best people for the job, wherever they might be.

Start-ups (i.e., new managers), in addition, need to deal with a large number of miscellaneous other agreements with service providers, for example IT contracts, director services agreements, platform services agreements, agreements to appoint AML officers, and so on.

We provide a 'general counsel' service for new managers in advising on such service agreements. This has been well received as a cost-effective and practical compromise in having a large volume of agreements reviewed and negotiated within a short space of time.

Q: *How do you charge?*

A: It varies. For some clients we do everything by way of fixed fees, and for others we do everything by way of hourly rates.

Typically, for new clients, we agree fixed fees so that they know what they are 'in for'. Longer established clients don't generally ask for fixed fees.

For start-ups, we frequently agree a fixed fee for all documentation with a certain prime broker or counterparty, and for the 'general counsel' service (whereby we review miscellaneous service agreements) we charge on a per agreement basis.

We understand how important it is for new managers to know what the set-up costs are going to be, to manage expectations and avoid any surprises.

Q: *Do you provide differentiated service levels?*

A: For most of our clients, for documentation work, we undertake a full review and mark-up, and we manage the negotiation process too. A number of our clients with the appropriate resource like to receive our initial comments, and manage the day-to-day negotiation process themselves.

Clearly, a multi-billion dollar AuM client is going to have a stronger negotiating hand than, say, a $50m start-up. We very well understand this distinction, and we try to manage expectations accordingly.

Q: *You did an editorial for HFMWeek back in 2014. What changes have you observed in the period since then, so far as documentation is concerned?*

A: Back in the noughties, we might be required to review, say, 300 pages of documentation for a fund launch. That has now increased at least two-fold and maybe even three-fold. The number of documents, and the length of some of them, has increased massively. That is partly in response to regulatory requirements, for example obligations under the European Market Infrastructure Regulation (Emir) to collect variation margin, for certain OTC derivatives to be cleared, for futures to be Emir-compliant, and to report transactions.

Recently, we counted the total number of documents received for a client, for a prospective prime brokerage relationship, to be around 90. Admittedly, a large number of those were disclosure documents, and only around 20 were suitable for a proper review and negotiation. Nonetheless, that's a huge amount of documentation to have to deal with.

Q: *What does the future hold?*

A: In terms of artificial intelligence and automation, if an effective way to automate ISDA Master Agreement negotiation had been possible, it would have been done. Initiatives like 'ISDA Create' will enable users to manage more of their documentation online, through portals. Presumably cloud-based storage solutions will be a part of this.

However, as our specialist areas are inherently nuanced and complicated, and frequently require judgment (something which, by definition, computers cannot learn – at least not yet), I don't see the workload decreasing for specialist boutiques such as ourselves. Certain work currently done manually will in time be replaced by online portals and automated systems, but this will be counterbalanced by increasing demands at the other (more complicated and multi-faceted) end of the scale.

BIO

Antony Bryceson is a director of AB Trading Advisors, a boutique legal services advisory firm which launched in 2014. The firm advises buy

side market participants (predominantly hedge funds) on their trading documentation (prime brokerage, custody, derivatives etc) and associated regulation. Antony has for more than 19 years been a leading lawyer in the alternative funds space, specialising in prime brokerage and derivatives. Prior to launching AB Trading Advisors, Bryceson worked with Simmons & Simmons LLP and Sidley Austin LLP.