



Conflict-free trading

Benjamin Arnold, founding partner and ceo of Meraki Global Advisors, answers SCI's questions

Q: How and when did Meraki Global Advisors become involved in the securitisation market?

A: Meraki Global Advisors was founded with the rebellious determination to deliver conflict-free trading to asset managers. Meraki is a global multi-asset outsourced trading and operations firm that was launched in April 2019.

We identified a need among the more sophisticated multi-asset hedge fund community for a full-service outsourced trading desk capable of trading across asset classes. Since our inception, we have had the capability to trade structured credit, but over the last six months we have seen strong demand from clients and potential clients to trade more of these products.

Q: What is your strategy with regards to outsourced trading for the ABS markets?

A: Prior to Meraki, outsourced trading desks were primarily viewed as an equity execution vehicle. A manager would sign up with an outsourced trading firm, staffed similarly to an equity sales trading desk, and the fund would route orders to the outsourced trading firm for execution.

The outsourced desk would execute those orders with the outsourced desk's execution counterparties. Think of it as a hub and spoke model.

We found this model was ideal for smaller emerging managers for a plug-and-play solution, while the larger and more sophisticated managers required a more bespoke solution to fit their needs. There is no one-size-fits-all when trading for asset managers, so every strategy we implement for a client is unique.

Much of our day is spent understanding the issues or types of issues our clients are interested in, monitoring dealer flows and relaying pertinent market colour. Given our structure, Meraki is the buy-side desk of our client's funds and deeply integrated in that information flow. Similarly, we help our clients participate in BWICs, OWICs and work orders among their dealer network.

Q: How do you ensure that clients receive a bespoke service?

A: We are not in the business of a one-size-fits-all model or signing on as many clients as possible. Instead, we offer a premium, bespoke service that can fit any client's needs.

We do this by adding clients in a calculated way and only after fully understanding their needs and processes. At Meraki, we view our client relationships as long-term partnerships and we are judicious in those partnership decisions.

Furthermore, client onboarding is structured in a calculated manner to ensure we have the finest traders on staff to service their needs. We seek out and hire traders who have the unique skillsets required to cover our more nuanced clients, unlike traditional trading desk staffing, where any trader on the desk may answer the phone or handle a client's trades.

We pride ourselves on fitting into our client's workflows, including augmented trading to fit their investment style(s), internal processes and integrating with their OMS/EMS technology. Our firm was founded with this core value, which continues today.

Q: What are the key asset classes that you focus on?

A: We can trade any product our clients are set up to trade. Our team of experienced buy-side traders have deep expertise with equities, corporate credit, FX, rates, structured credit, and all related derivatives. Outsourced trading has traditionally been geared towards equities and FX, which still dominates the space, but recently we have increased focus in the credit and derivative markets.

Q: What differentiates you from competitors?

A: From what we understand, we are the only firm offering an outsourced trading solution for any and all products. Our model is unique in that we are our client's trading desk, or a portion of it, not an intermediating third-party. As such, we can fully integrate into our client's idea generation process and systems and we never face off against the client's broker counterparties or the client.

Meraki is not the client; the fund remains the client all the way from execution to clearing with the sell-side. We are solely the authorised trader or trading desk. This builds trust, expertise and enables our traders to help garner alpha for our clients.

Q: What is the significance of offering conflict-free trading solutions?

A: When an investment team puts their heart and soul into generating alpha ideas, they need to know that the team getting them into and out of the trades are aligned with their interest. If your trading team, either internal or external, is incentivised to trade with certain brokers or has a high client to trader ratio, you will never be certain that you are a top focus client.

Under our model, clients know they have the varsity team focused on them. Our fee structure is 100% transparent and we are compensated for providing premium, full-service buy-side trading for our clients.

Q: Have you identified future challenges that may arise?

A: Our model is designed to have a low client to trader ratio. With that comes the need to find talented multi-asset traders, who can provide the same exceptional service to new clients. Finding the right talent has, and always will be, the hardest challenge for any business.

Several members of our team have held senior positions at large credit funds, including Jabre Capital and Paulson & Co. They have been instrumental in building out the processes, relationships and knowledge bank we use to service our clients.

The recent global pandemic has made our opening of new office locations a bit more complex. While we are still moving ahead with our 4Q20 expansion plan of opening a New York and Asia office, we have been fortunate to have our headquarters in Park City, Utah, where we continue to grow our team.

Q: What opportunities do you expect to see?

A: We expect to see more funds partner with outsourced trading teams that not only execute all or part of their order flow, but also provide a full-service buy-side trading experience. We also expect to see a greater shift towards technologically innovative asset management service firms that can combine trading, finance, risk, operations and portfolio management expertise into a tightly knit, process-driven platform.

There are several outsourced models out there, but identifying which model works best for a particular client will be an educational process. We have been surprised by the up-take in non-equity business development, especially over the past six months, and are excited by future opportunities in the space.

Jasleen Mann

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