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Jefferies Forms Trading Partnership

A new alliance is enabling **Jefferies** to offer trading services to its prime-brokerage clients.

The arrangement entails a partnership under which Jefferies is directing hedge fund managers to **Tourmaline Partners**, a Stamford, Conn., firm that identifies buyers or sellers of stocks and options on behalf of its customers and then executes orders by routing them through the appropriate brokerages.

Jefferies and Tourmaline aren't sharing revenues, but are promising to refer clients to each other — a key motivation for the initiative.

A small group of Jefferies' clients began trading through Tourmaline this month, three months after the two firms began integrating their computer systems to support the effort. While hedge fund managers working with Jefferies are free to farm out trading to firms other than Tourmaline, the bank is emphasizing the idea that it now can offer them a more seamless experience as they move through the process of executing, clearing and reporting positions.

Another part of the pitch: By engaging an outside firm to either work alongside their in-house traders or replace those desks entirely, hedge fund managers can save on staffing and operational costs while freeing up their investment professionals to focus on research. Such services also can be valuable to larger managers that want to remain anonymous when moving big blocks of securities.

For Jefferies, the trading arrangement complements the securities-lending, clearing and capital-introduction services its New York prime-brokerage team already offers to clients. It also relieves the bank of possible conflicts of interests that can arise for prime brokers whose affiliated trading desks prefer not to deal with certain rivals, thanks to relationships that Tourmaline maintains with 200 brokerage firms and 40 dark-pool operators.

What's more, the partnership helps ensure that Jefferies' prime-brokerage operations remain fully segregated from any trading functions.



Tourmaline is active in the U.S., Europe and Asia. The firm was founded in 2011 by a group of former **Greenwich Prime Trading Group** staffers: chief operating officer **Daniel Dispigna**; chief financial officer **Jonathan Goldstein**; compliance head and senior equity trader **Ike Groff**; derivatives-trading chief **Aaron Hantman**; and **Henry Higdon 3d.**, who heads a London office. Some of the founders also have worked at **Williams Trading**, which offers trading services to hedge funds. ❖