

Listed Options and Agency Only Execution Brokers Back in Vogue

By JLC Group

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Hedge funds and institutional managers are returning to the world of listed products and enlisting independent agency only execution firms, and moving away from doing business with conflicted prime brokers and so-called investment banks

New York, NY- It comes as no surprise that the unraveling of the complex and highly-leveraged OTC derivative and credit markets, and the ensuing carnage that has spread across the financial market landscape is prompting investors, portfolio managers and hedge funds of all breeds to embrace a “back-to-basics” investment approach; one that will prompt many fund managers to eschew esoteric OTC products altogether, and in turn, funnel increased capital allocations towards transparent, exchange-traded investment products and related “plain vanilla” hedging vehicles. Underscoring this point, Stanley Fink, the former CEO of Man Group, the world’s largest publicly traded fund of funds, recently stated “Exchange- traded instruments are more liquid and better valued than over-the counter derivatives. That makes them safer to use.”

Of equal importance, lessons learned from post mortems of the “2008 crisis of confidence” include stark revelations as to the inherently conflicted roles that major sell side firms have played in serving treasurers, institutional managers, and hedge funds; especially those with umbrellas that not only include providing research and “arms-length” trade facilitation (and ostensibly, best price execution), but those that also maintain outsized proprietary trading desks.

While the going forward investment climate is decidedly uncertain, one thing is assured; transparency in product and executing broker integrity will be a paramount theme, providing a watershed opportunity for broker/dealers that are otherwise non-conflicted, and especially for boutique, service-centric, “agency-only” trade execution firms; those whose only agenda is to provide unencumbered market access and insight, non-partisan relationships with qualified counterparties, dexterous order handling skills, and technology that seamlessly connects to the multitude of regulated, yet otherwise fragmented market centers.

One such firm that meets the new criteria is New York-based WallachBeth Capital LLC, a boutique-style broker/dealer that provides institutions and hedge funds with agency-only trade execution in listed equities, exchange-traded options, ETF’s, and index products. The firm’s two founding principals have more than fifty years combined experience working on and off the floors of major stock and option exchanges, and each with extensive experience operating stand-alone execution businesses, as well as proprietary, risk-based trading books. As such, they provide a unique perspective and deep appreciation for the needs of their investment manager customers.

WallachBeth’s CEO is Michael Wallach, a second generation trading industry professional, and no stranger to managing risk and order flow in both sedentary and volatile markets. A former options exchange specialist, Wallach has operated option-centric, prop trading and agency execution books since 1982, and according to industry peer Jon Najarian, the co-founder of OptionMonster LLC and a frequent business news commentator, “Mike is exceptionally fluent in the art of trading strategy execution.” David Beth, the firm’s President and head of floor operations, has commensurate experience. Since 1987, Beth has overseen exchange-based and off-floor agency-only execution businesses serving major buy-side fund managers, regional brokerages, as well as having managed the listed options facilitation desk for a global bank.

Overseeing a core staff of fifteen brokers and support staff at the firm's operations center at 100 Wall Street, David Beth stated, "However sophisticated our clients are with respect to identifying investment opportunities and strategies, we continuously hear from them that our value-added comes down to three basic elements: (i) an agency-only execution model that precludes any potential conflict of interest, (ii), our ability to effectively and efficiently help them manage risk in the course of entering and exiting trades, and (iii), our being able to discretely, yet quickly source qualified counter parties, and facilitate block and/or complex trades without impacting the market." Added CEO Mike Wallach, "That said, we like to tell our clients that our most important value added is that we manage each of their orders as if they were our own."

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About WallachBeth Capital LLC

WallachBeth operates on a fully-disclosed, agency-only basis while serving the needs of premiere hedge funds and sophisticated professionals trading in the wide-spectrum of listed Equity Options, Listed and OTC equities, ETF's, and non-US equities.

The principals and team members of WallachBeth have decades of combined experience encompassing on and off-floor brokering, principal trading, trade operations, and trading system technology.

As an executing broker, we're the Right Option for equity and option market participants simply because our exclusive focus is to provide highly-demanding professional traders with integrity-rich coverage, timely and accurate trading market insight, and to deliver absolute best execution with minimal market impact; regardless of order size or complexity. Additional info can be found at wallachbethdotcom

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