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J.P. Morgan Takes Stake in Tech Company for Alternatives

The bank has made a strategic investment in Arcesium, a spin-off from D.E. Shaw.

By Julie Segal

J.P. Morgan has taken an equity stake in Arcesium, an investment-management technology business that D.E. Shaw & Co. launched as an independent company in 2015.

The investment will build on Arcesium's existing client relationship with J.P. Morgan, including its securities services business, which provides fund administration and outsourcing to asset managers and allocators.

"Historically, J.P. Morgan only used Arcesium's technology for itself," said David Nable, managing director and head of commercial strategy at Arcesium, in an interview. "Now with the bank's equity stake in the business there will be much more alignment around deploying joint solutions to their massive client base as well."

Arcesium supports \$150 billion in assets and has 850 staff in New York City and Hyderabad, India.

"J.P. Morgan has been an important client and partner to us for a number of years and we look forward to working together to bring joint solutions to market," said Gaurav Suri, chief executive officer of Arcesium, in a statement expected to be released Friday. Suri was previously head of information technology and software development at D.E. Shaw, which he joined in 1996 from Bell Laboratories.

D.E. Shaw initially developed Arcesium's investment-management technology platform for its own alternatives business, which includes everything from statistical arbitrage to structured private equity deals. When it was spun off, Blackstone Alternative Asset Management, the private equity firm's hedge fund business, also provided equity to the tech company. BAAM became the firm's second client.



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Part of Arcesium's strategy is to offer technology that it builds for one client to all customers. Having large and sophisticated clients like J.P. Morgan and BAAM helps Arcesium speed the pace of its developments. Smaller clients, for example, can benefit from that kind of innovation, according to a source familiar with Arcesium's process.

"This investment and collaboration underscores J.P. Morgan's continued focus in the alternatives segment," said Teresa Heitsenrether, J.P. Morgan's global head of securities services, in the statement. "Through its partnership with Arcesium as a technology provider, J.P. Morgan has offered its alternative asset manager clients solutions to their most complex operations and data management challenges." ■

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