THE GLOBE AND MAIL

Canada’s largest law firm BLG buys AUM Law

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Canada’s largest law firm Borden Ladner Gervais LLP is scooping up Toronto-based AUM Law Professional Corp. as it looks to boost its alternative legal services for some of the world’s biggest money managers.

The deal, which is to be announced on Thursday, will help boost BLG’s regulatory compliance services for investment managers as securities regulations become increasingly complex – and expensive – with new requirements such as the introduction of client-focused reforms set to begin next month.

“The asset management industry has shown substantial growth in assets over the last decade alone and there’s big pressure on profitability for these companies worldwide, " said John Murphy, chief executive and national managing partner of BLG.

“And there’s two ways for these asset managers to deal with that pressure. One is the need for scale – and we see that with consolidation as they continue to grow in size. The second way is to ensure that compliance and regulatory requirements are dealt with efficiently.”

Terms of the deal have not been disclosed.

Founded in 2009, AUM Law has a total of 13 lawyers and law clerks who specialize in regulatory compliance services for more than 100 independent Canadian asset managers. AUM founder and CEO Kevin Cohen says while he “dreamed of running AUM forever,” he knew he needed a larger network to expand alternative legal services more broadly.

“The acquisition strongly confirms that scale wins in terms of delivery of service when it comes to the asset management sector,” Mr. Cohen said in an interview. “To innovate, you need to identify new ideas and opportunities but to achieve them you need distribution and technology – and we didn’t have either of those.”

The majority of AUM's team – including Mr. Cohen – will join BLG's innovation hub, BLG Beyond.

BLG has more than 725 lawyers, intellectual property agents and other professionals, and, globally, it represents the top 10 asset mangers who, combined, manage about US$30-trillion in assets, in both public and private investment funds.

Over the past decade, investment managers have been facing significant pressure on profitability as regulatory and compliance costs continue to rise. In 2016, the investment industry in Canada underwent a major overhaul in the way investments were annually reported to clients. Known as the second phase of the client relationship model, or CRM2, investment firms were required to provide greater transparency about performance and fees for financial advice.

Now, a new set of investor protection rules that regulators announced in 2019 – known as the client-focused reforms – will hold financial advisers more accountable for the investment decisions they make for clients.

Prema Thiele, head of BLG's corporate and capital markets group, says while there have been "different seismic shifts" during her career – including CRM2 – the client-focused reforms have been the ultimate shift.

"As investors continue to be focused on cost, asset managers need to differentiate their product offering and focus on how to better interact with clients," Ms. Thiele said in an interview. "To be able [to] achieve that, it's very important that service providers be focused on that fully integrated, one-stop-shop investment management experience for our clients, so they can recognize and respond to evolving securities regulatory initiatives."

As a result of the client-focused reforms, investment firms have had to re-examine their internal requirements, which for most firms meant looking at whether certain products and services are in the best interest of clients and, if not, launching a complete overhaul of policies, client-facing documentation, books and record-keeping, and training.

"AUM Law has done a great job in providing a cost-efficient, fixed-fee regulatory compliance offering," Ms. Thiele said. "Clients are continuingly asking us for alternative service solutions – not just from a cost perspective – but from being able to provide alternative service solutions to meet those increased regulatory expectations."

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