

Hedge Fund Alert

THE WEEKLY UPDATE ON FUND MANAGEMENT INTELLIGENCE

AI Tools Help Analyze, Prepare Contracts

Quadrangle Consulting, the contract management and advisory firm servicing hedge fund managers and other investment operations, is rolling out artificial intelligence tools to help clients assess and improve the competitiveness of their contracts in far less time.

Quadrangle, led by founder **Mike Katz**, is pushing out the new service in stages to help clients work on all of their vendor, counterparty and investor contracts. In the last several weeks, the firm made AI modules available for side-letter analysis and tracking, and it's about to do so for limited-partner agreements and credit agreements. In stages, beginning in June, Quadrangle began to make the AI tools available for prime-brokerage and administrator contracts, custody, and swaps and derivatives, among others.

The AI service is designed to identify every term in clients' contracts, which can include as many as 80 to 120 provisions in each and which cover items such as fees, deadlines and liability limits. The AI service will organize and show each term directly to the client and, for most types of contracts, will indicate whether terms in the contract are competitive compared to Quadrangle's database of similar contracts. Quadrangle first introduced a contract term competitiveness benchmark feature in 2019, but the AI process is much faster.

Clients can then adjust proposed language in their contracts to try to make them more competitive. At that point, Quadrangle's human contract specialists step in to make sure that all of the contract terms and any changes clients want to propose make sense.

"This adds tremendous transparency and reduces pro-

duction time dramatically, from hours to minutes," on each contract, Katz said.

From there, Quadrangle's customers can negotiate with their counterparties or vendors. They can also opt to have Quadrangle negotiate for them, which is a step that most of Quadrangle's clients already take.

In addition to allowing firms to measure whether their contract terms are competitive, the new AI tool allows firms to compare their contracts to similar contracts they have already entered into, Katz said. For instance, a firm may have 20 contracts with swap dealers, or data-provider contracts, and the firms can use the AI tool to reduce inconsistencies. The tool also can compare a client's pro-proposed new contracts with old versions to identify changing terms over time. All of this work can be done without the AI service, but doing so would take much longer.

The new tool also will automatically pull from each contract every action a firm needs to take in order to comply with the contract and put it into a manager's calendar and send email reminders. The goal? "You can never miss a deadline," Katz said.

Quadrangle charges each client a fixed fee for its services depending, for instance, on the client's volume of contracts. Katz said that customers who use the AI service won't pay more for it.

In doing the comparison work, Quadrangle aims to maintain the confidentiality of its individual customers.

Katz founded Quadrangle in 2013. The firm, which is in Jersey City, N.J., works with more than 1,000 investment managers that have contracts with more than 4,000 vendors and banks. ■