

Dealmakers Q&A: Reed Smith's Tamara Box

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Tamara M. Box is an internationally recognized expert in financial structuring and strategic financial advice. She is the global co-chairwoman of Reed Smith LLP's financial industry group and sits on the firm's executive committee. She has worked and lived in the U.S., Asia and Europe while advising clients all over the world, including in the Middle East, Turkey, South Africa, Russia, Europe, the U.K. and Asia.

Box is a founding member of the steering committee of the 30% Club, a group of chairmen dedicated to increasing the diversity of corporate boards. She also serves on the board of governors for the Commercial Real Estate Finance Council, a trade association for the real estate finance community. Her experience in finance has contributed to her receiving numerous awards, including being named "Best in Structured Finance" at Euromoney's Women in Business Law Awards in 2011 and 2013. She was also named a 2012 "Woman of Achievement" by the Women of the Year.



Tamara Box

As a participant in Law360's Q&A series with dealmaking movers and shakers, Tamara Box shared her perspective on five questions:

Q: What's the most challenging deal you've worked on, and why?

A: The £1.1 billion restructuring of Mortgage Funding 2008-1 (MF) — the first-ever U.K. Lehman residential mortgage-backed securitization deal to be effectively restructured since Lehman Brothers' bankruptcy in 2008, and the £662 million restructuring of Eurosail, the second U.K. Lehman residential mortgage-backed securitization after MF, offered unique challenges to our team for a variety of reasons.

Unlike most other significant restructurings, there was no arranger, lead manager, borrower or sponsor — those roles were provided by Lehman Brothers before its bankruptcy — so we had to convene public bondholder meetings to enable an extensive restructuring of the transactions to fix the issues caused by the Lehman bankruptcy and, ultimately, to recut the economics of the notes for the benefit of the holders. Because we had to finely balance the interests of all 10 transaction counterparties and the bondholders (on each transaction), each of which had economic objectives in the restructuring, we sometimes felt like we were herding cats.

Eventually, we had to devise a means of getting each cat to think realistically and rationally about their individual involvement in the overall transaction. Generally we found that getting an obstinate participant to imagine the scenario that could result from sticking completely intractably to his position focused minds. When led to speculate on the undesirable but not improbable consequences of a failure to reach agreement, the cats generally started moving in the same direction and success was ultimately achieved.

As a result of the restructuring and subsequent bond issue, the credit ratings of the MF's senior bonds soared 13 notches from "B-" to "AA" by S&P, and nine notches from "BB" to "AA" by Fitch.

Q: What aspects of regulation affecting your practice are in need of reform, and why?

A: Over the past six or seven years, securitization has languished in Europe, perceived to be the victim of some irresponsible practices involving subprime mortgages in the U.S. In order to distance themselves from the taint of ABS and to meet new requirements for capital reserves, banks in Europe shut down much of their lending, blaming the regulators for their failure to release funds for home buying or business expansion. "It's not our fault," they said, throwing up their hands. "Talk to your government."

So the public started talking, and pretty soon politicians got involved. "People need to buy homes," they said to the ECB and the BofE, "so fix it — but make sure that there's no risk." With that the polishing cloth came out, and after a series of new rules, support for sparkling new "high-quality" securitization has emerged. Smiling politicians accept thanks from the public, and banks take credit for revitalizing the financial markets.

But while the new products may increase activity for certain lenders and borrowers, they don't do much for the market. Part of the reason tranching exists within ABS is to allow investors to choose the level of risk they are willing to assume; higher risks offer the potential for higher rewards. Requiring punitive capital treatment for all but the virtually risk-free securitizations may offer the public some protection from banking failures, but it restricts opportunities for astute investors who would otherwise expect to assume some risk.

Furthermore, because commercial real estate securitizations had some of the more egregious issues and no obvious public benefit, there is little public sympathy for opening up CMBS once again. The new "high quality" securitizations — pretty much limited to residential mortgages and auto loans — may meet political needs, but they leave a gaping hole in the opportunities for both investors and the markets.

If regulators want to revitalize the financial markets in Europe, a balance should be sought that would encourage all types of borrowers, lenders and investors. We aren't there yet.

Q: What upcoming trends or under-the-radar areas of activity do you anticipate, and why?

A: An exciting challenge for the financial industry is the emergence of the "nonbanks" that are really technology companies. Facebook, for example, is creating an entity that appears to be a bank — complete with its own currency — if press reports in Ireland are to be believed. Similar to the mortgage industry a few years ago, which offered mortgages but didn't take deposits, these new institutions do things like banks, but they're not banks and therefore are not subject to the regulatory environment that governs traditional banks. With the talent, the money and the audacity to try out all sorts of

innovative products, these modern pioneers are invigorating financial markets worldwide. With confidence and tenacity, fin-tech companies tweak their products to adapt to evolving technologies and changing times, unencumbered by the WADITW (“we’ve always done it this way”) mentality. Their youthful optimism and recent success rates further fuel their expansion.

Google’s mobile payment and wallet products have yet to be widely adopted by consumers, yet the company recently reiterated its commitment to their expansion. It is already registered in the U.K. to issue electronic money, in a process similar to the authorization which Facebook is seeking in Ireland.

If we are to maintain the robustness of the industry, we have to consciously recognize the role of technology in driving consumer behavior and reshaping financial markets. Accenture released a report in May of this year indicating that almost four in 10 people aged between 18 and 34 would switch to a bank without a physical branch network. Jamie Dimon, chief executive of JPMorgan Chase, reportedly told a shareholder meeting in February: “You’d be an idiot not to think that the Googles and Apples ... all want to eat our lunch. I mean, every single one of them. And they’re going to try.”

Q: What advice would you give an aspiring dealmaker?

A: A dealmaker is by definition someone who brings deals to fruition. Lawyers, by instinct and training, resist risk and therefore have a tendency to advise clients to make their transactions risk-free. The best way to avoid risk is to not do anything at all. No deal, no risk. It’s simple: just say no.

Everyday living has its risks: you risk being hit by a car if you cross the street, you risk getting food poisoning if you eat in a restaurant; you risk throwing your back out if you play golf (hey, it happened to Tiger Woods). But none of us is going to sit around cocooned in bubble wrap, so we assess the degree of risk against the potential reward, and we make a value judgment. You may decide that the pleasure of eating seafood is not worth the risk if it comes from a truck by the side of the road, but well worth it if you get lobster in a Michelin-starred restaurant.

A dealmaker needs to be able to help a client weigh the potential benefit of any deal relative to its risk. The lawyer who thinks his/her job is to always say “no” will never be a dealmaker, because risk-free is also profit-free. No client wants that.

The real dealmaker will find a way to say “yes,” even if it is “yes, but” Helping the client understand and assess the risk of any deal may be as simple as imagining the worst-case scenario, i.e., walking to the edge of the cliff to see how far the drop is. If the drop is the Grand Canyon, then maybe the risk is too great, but if the drop is only the front step off your porch, then smile and shake hands: you’ll be eating lobster tonight.

Q: Outside your firm, name a dealmaker who has impressed you, and tell us why.

A: During the restructuring of a couple of Lehman Brothers securitizations, I had the pleasure of working with Emma Matebalavu, a talented young partner at Clifford Chance and counsel to the largest group of bondholders. Too often we lawyers find ourselves across the table from an adversarial attorney who thinks that representing his/her client involves opposing anything said by other clients’ counsel (sort of like the partisanship in politics). That was not the case with Emma and her team! Like me, she clearly sees her role as a deal-doer, not a deal-killer. She listens to what is being said, but more importantly, she actually hears what each client’s objectives are and works toward obtaining consensus (unlike most politicians ...). She knows that her clients want to do a deal, and she strives for a team atmosphere with

the other clients' attorneys so that we all comfortably reach win-win. And in this case, the win was achieved, the cats herded in the right direction and the result the right one — in large part due to the atmosphere of collaboration and cooperation that Emma fostered.

I wonder how she'd feel about running for office

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