HAYNES BOONE

Beyond Excel - New Technologies Available to Fund Finance[1]

By Aleks Kopec and Phong Tran

At the Fund Finance Association's recent conference, a panel discussion entitled "Beyond Excel - New Technologies available to Fund Finance" explored how technology is reshaping the industry. Panelists from major lending institutions and technology vendors discussed pain points driving the need for scalable solutions, the market forces driving these changes, and the potential of emerging technologies like artificial intelligence ("AI").

Key Takeaways:

- **Scaling Challenges:** Traditional tools like Excel are insufficient for the volume and intricacy of modern fund finance deals, often leading to undetected errors and potential technical defaults. Lenders need better data quality and real-time insights to manage a growing and increasingly complex portfolio.

- **Drivers of Tech Adoption:** Both the sheer volume of transactions and the rising sophistication of financial products are pushing lenders to embrace technology. Additionally, funds face significant operational difficulties, and tech solutions that streamline processes and reduce friction are highly valuable to lenders. The need to lower costs and remain competitive amidst regulatory scrutiny further motivates the shift.

- **Front Office Leads the Charge:** Those closest to fund borrowers are leading the charge, with portfolio-level analytics becoming vital. Lenders desire deeper insights to broaden their risk tolerance and make informed decisions about their portfolio composition. Lenders are seeking tools that transcend single-deal analysis, providing portfolio-level analytics and enabling more informed risk management and business development decisions.

- **The SVB Effect:** The Silicon Valley Bank failure underlined the urgent need for lenders to have quick access to data on exposures for proactive sponsor outreach and accurate risk assessment in response to disruptive market events. Lenders need to be ready to react quickly to any future disruptions.

- Build vs. Buy: Pros and Cons: While some banks develop internal tech solutions, third-party vendors offer a faster path to implementation. However, challenges like data privacy and the need for standardization across the industry remain. Most agree that the industry has barely begun to

[1] The panelists were Hamid Aguerbal of Natixis, Nake Grewal, Head of Underwriting at Wells Fargo, Steve Markovinovic, Director at Barclays, Bill McMahon, Executive Director at LionPoint, and Rafael Vistan, Managing Director at MUFG. The panel was moderated by Brendan Cahill, Product Manager at Allvue.

leverage technology beyond spreadsheets. An integrated approach across different bank functions is the ultimate goal, though variability in forms and loan offerings pose significant challenges.

- **AI's Potential Role:** AI is being explored for document review and analysis, but experts stress that human judgment remains critical for credit risk decisions. AI's potential lies in optimizing operational work flows and the allocation of funds to better maximize returns.

The Bottom Line: While still in the early stages, tech adoption in fund finance is accelerating, fueled by lenders' desire to stay ahead of both risk and opportunity in a fast-evolving landscape. The panel highlighted a clear consensus that the fund finance sector is ready for technology-driven change. Lenders and fund borrowers alike stand to benefit from solutions that address the challenges of scale, data integrity, and operational efficiency as the market continues its rapid growth.