

Key Takeaways from the Fund Finance Association's 6th Annual Asia-Pacific Fund Finance Symposium

November 25, 2024 Albert Tan, LeAnn Chen, Mei Zhang

PRACTICES Fund Finance

Haynes Boone attendees from several of our global offices enjoyed the Fund Finance Association's 6th Annual Asia-Pacific Fund Finance Symposium, held at Marina Bay Sands in Singapore on Nov. 14, 2024. The ever-growing APAC symposium offered an opportunity for fund finance professionals from all over the globe to network in Singapore, and it was even attended by Sophia the humanoid robot, showcasing the APAC region as a market leader in technology and innovation.

1. The State of Subscription Line Financing in APAC:

- **Pricing:** Global fund sponsors are starting to question the higher pricing differential in the North America market compared to pricing in APAC. Global fund sponsors are leveraging their global fund finance market relationships and experience, which includes rethinking pricing arbitrage dynamics among the fund finance regions and requesting standardized facility terms across the North America, EMEA and APAC markets.
- **Borrowing Bases:** The move towards underwriting the uncalled commitments of high-net-worth individuals ("HNWs") in the North America market has not yet made its way into the APAC market, but players in the APAC market expect this to become a topic in the future. APAC lenders are better placed to facilitate this if their private banking arm already has a relationship with the HNWs in question.
- **Ratings:** The regional APAC market welcomes the requirement for ratings (which is being driven by the regulatory landscape in EMEA) in fund finance transactions. Many APAC bank lenders utilize internal ratings models, but external ratings are helpful from a risk perspective and will also help with building more robust syndications and potential future securitizations. APAC lenders have received enquiries from non-banks (primarily insurance companies and private credit) to participate, and many of these lenders will require ratings.
- **Separately Managed Accounts ("SMAs"):** SMAs have been on the rise over the last 18 months in the APAC market, with banks being conscious of concentration risk (particularly to sovereigns). Institutional investors are more likely to want to continue with strategies they have a proven track record with but with more control via an SMA, rather than committing to a new strategy.
- **Hedging:** The need for hedging is client driven, with there being more need among real estate and credit funds. Private equity funds are using hedging on an ad hoc basis depending on currency, but as multi-currency subscription lines grow in popularity, some of the need for hedging falls away.
- **Committed vs. Uncommitted:** Lenders will consider uncommitted facilities on a deal-by-deal basis. If it's unlikely that the line will be heavily utilized, then there's more likelihood that the deal will be uncommitted.
- **AI:** The view of the market is that AI can help due diligence, manage data and track trends. APAC lenders are seeing funds with a growing number of individual investors, and AI could be utilized to also track and manage exposure.
- **Due Diligence:** The APAC market has seen a growing demand from investors for enhanced confidentiality. Investors have raised concerns about disclosing the fund's governing

agreements and investor documents, particularly side letters, and they requested limited disclosure. However, lenders generally do not accept redacted copies of the fund's governing agreement or side letters. They are, however, open to strengthening confidentiality provisions in loan documents to address investors' concerns.

- **Security Documents:** Subscription line credit facilities in the APAC market follow a standard set of security documents and protection measures. Lenders tend to take a more conservative approach to pledge structures and terms than those in North American and European markets. In recent years, however, lenders and funds have become more receptive to introducing bespoke pledge structures in security documentation, such as a cascading pledge collateral structure that is commonly accepted in North America.
- **Fund Finance Utilization:** Subscription line facilities have become more widely used in the APAC market, particularly in more challenging fundraising environments, by offering immediate bridging liquidity for investments and supporting enhanced returns.

[Read the full article here.](#)