

Navigating Market Uncertainty: A Risk Mitigation Checklist for Fund Managers

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In response to current market volatility and uncertainty, we recommend clients consider taking the following steps to manage potential risks with respect to trading agreements and counterparties:

1. **Review Trading Agreements** - Thoroughly examine all terms in your ISDA Master Agreements, confirms, credit support annexes, repo agreements and prime brokerage documentation:

- *Monitor NAV Triggers* - Due to fluctuating asset values, pay close attention to NAV-related terms including testing frequency, calculation methods, required reporting and cure rights. Plan communications and strategies if breaches appear likely.
- *Understand Margin Requirements* - Review margin call procedures, notice methods, delivery timelines and grace periods. Be aware of any discretionary rights allowing counterparties to modify margin requirements or modify lockup arrangements.
- *Assess Default Provisions* - Analyze notification requirements, waiver rights and performance suspension options for potential default scenarios. Develop contingency plans for necessary amendments or strategic alternatives.

2. **Manage Counterparty Risk** - Monitor financial data and news about your counterparties. Consider default risks and replacement timeframes for critical service providers.

3. **Enhance Communications** - Prepare comprehensive outreach plans for investors and counterparties. Comply with all data requests, notification requirements and regulatory filings.

4. **Review Liquidity Options** - Understand redemption procedures, gate provisions and side pocket arrangements in fund documents and side letters.

5. **Monitor Portfolio Limits** - Stay vigilant about compliance with concentration limits (by issuer, geography or product type) during market fluctuations.

6. **Consider Force Majeure Provisions** - Evaluate potential remedies for performance disruptions and follow industry association guidance where applicable.

7. **Track Market Disruptions** - Monitor interest rate and currency fluctuations/capital controls, exchange or infrastructure disruptions, new regulatory restrictions and sanctions that could impact trading.

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