

Emma Russell in *The Drawdown*: ‘Pressure Point’

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PRACTICES Fund Finance, Finance

The fund finance market has experienced explosive growth in recent years. Estimated to be worth around \$1trn currently, the market is set to continue growing exponentially in the coming years, in step with the private capital funds it lends to.

On the surface, this is positive - a booming fund finance market evidences the low-risk nature of these products. It also highlights the demand from private capital funds, solidifying the belief that these loans provide multiple benefits to both managers and investors.

However, dig a little deeper and cracks are emerging. Banks are already struggling to finance these ever-growing loan tickets. “This is about efficient use of balance sheet capacity,” says Jean-Paul Peters, founder of Kombit Consulting. . .

“There are very few banks lending in this space who focus purely on subscription lines as an isolated touch point with a borrower,” says Peters. “In my time as a credit committee member, I expected deal teams to bring something else to the table when they sought approval to deploy balance sheet and I think that’s true for any bank.”

Emma Russell of Haynes Boone and [Vice Chair of the FFA Global and Chair of the FFA Europe Executive Committee] agrees, “A number of these loans are investment grade financing, so many lenders are under pressure to cross sell to FX, custody, deposit, administration services because those are more lucrative, which means that they are sometimes under pressure from their credit committees on these cross-sells.” ...

To read Emma’s comments in *The Drawdown*, click [here](#). (page 11)