

Albert Tan Speaks on Fund Finance at Private Equity International Forum 2018

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PRACTICES Finance, Fund Finance

Haynes Boone Partner [Albert Tan](#) moderated and spoke on a fund finance panel at the Private Equity International CFOs & COOs Forum 2018 in New York City on January 25, 2018.

The panel, “Fund Finance: Utilizing Credit Lines/Subscription Lines of Credit at the Fund Level,” focused on subscription financing, the primary fund financing product. Other speakers on the panel included: Ed Balogh, chief operating officer and chief financial officer, Ridgemont Equity Partners; Tracy Adam Haas, chief financial officer, Roark Capital Group; Jun Isoda, managing director and chief financial officer, Siguler Guff & Company, LP; Thomas B. Mayrhofer, managing director and chief financial officer – Corporate PE Segment, The Carlyle Group; and Jonathan Peiper, executive director & group head, Subscription Secured Finance Department, Sumitomo Mitsui Banking Corporation.

Tan, co-chair of Haynes Boone’s Fund Finance Practice Group, shared with the audience of mostly CFOs and COOs of PE funds that fund financing is widely used by different asset classes of private equity funds in the Americas, Europe and Asia to facilitate investments and for operational purposes, and that the number of financial institutions offering this product is growing on an annual basis.

Tan regularly represents investment and commercial banks in connection with bank financings for private equity funds in Asia, Europe, Latin America, and North America. He frequently speaks on fund finance at legal and business seminars and was named a leading practitioner in international private equity by the *Euromoney Expert Guide* (Legal Media Group) in 2012.

Tan led the panelists through an overview of subscription financing, which has a global market estimated at \$350-\$400 billion, with North America providing about 60 percent of the global market. The speakers also covered the benefits of using subscription financing and discussed challenges and practical considerations involved. Additionally, the panel conducted three polling questions to the audience members on: (i) their use of subscription financing, (ii) the feedback they receive from their limited partners and (iii) their expectations for whether subscription financing will be an integral component in private equity fund-level financing over the next few years and longer term.

The audience poll results revealed that 87% of audience members are currently using and planning on using subscription financing for their funds; 96% of audience members shared that their limited partners are positive to neutral on the usage of subscription financing in their funds; and 94% of audiences believe that subscription financing will remain an integral component in PE fund-level financing over the next five years and beyond.

Tan also led the panelists through a review of the Institutional Limited Partners Association’s June 2017 Recommended Guidelines on subscription financing, which approach the topic from the investors’ perspective, and a Fund Finance Association’s response with respect to ILPA’s guidelines.

In summary, the prudent and appropriate use of both facilities and traditional fund-level leverage are important to both the long-term health and the financial performance of the PE industry. Also, each fund is inherently unique and the subscription facility and debt needs should be tailored to the particular business plan and risk/return profile of each individual fund. Continued open and frequent communication between fund sponsors and investors on facilities and fund leverage is essential to their relationship and should be encouraged.