

FUND FINANCE FRIDAY

Fund Finance Symposium Panel Recap: The Evolving Lender Landscape & Impacts on Balance Sheet Management

February 17, 2023 | Issue No. 211



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Laurie Lawler (Société Générale) did a wonderful job moderating last week's panel titled "The Evolving Lender Landscape & Impacts on Balance Sheet Management." The panelists comprised a group of industry experts, including Vicky Du (Standard Chartered), Missy Dolski (Varde Partners), Michael Orphanides (BMO Capital Markets), Steven Kahn (Assured Guaranty) and Steve Colombo (Goldman Sachs).

The Evolving Lender Landscape

During the first part of this panel, the panelists discussed how the lender landscape has changed and evolved over the years; it was interesting to hear each panelist's perspective on this point. The panelists discussed how five years ago (to put it simply), it was definitely a "good time to be a borrower," with lenders generally trying to grow their businesses and providing more favorable terms. Now, borrowers appear to have less leverage, and banks are being more strategic about how they are deploying capital and are seeking efficiencies across their platforms. Sponsors appear to be using sub-lines across all investment strategies, and with lots of demand, there isn't enough supply. One of the panelists noted a lean-in to syndication by the banks instead of large hold sizes and pointed out that, depending on the end goal, the current environment has forced lenders to narrow their focus on strategies and clients, which wouldn't have necessarily been the case in the early days. This panelist pointed out that it can be challenging for lenders to provide various types of fund finance products to multiple sponsors, so lenders need to specialize.

Current Challenges Facing Banks

The conversation pivoted to the challenges lenders are facing in managing their balance sheets. It was noted that we're in a tight liquidity market environment, with increased funding costs, and in the past six months, investment activity has slowed down. Some banks have been impacted by capital requirements; however, all banks are unique, and it's therefore important

for borrowers to figure out and have direct conversations with lenders to find out what will push liquidity. Outside of capital challenges, banks are also facing single name concentration limits and portfolio limits.

Non-Bank Lenders and Fund Finance 3.0

The panelists discussed non-bank lenders entering the space. Assured Guaranty, which is relatively new to the fund finance market, is sourcing capital and credit capacity through the use of insurance products. Given that there isn't enough supply from the lender market, it was noted that we will most likely see a capital markets solution down the line (enter, "*Fund Finance 3.0*"). Reg cap trade was discussed, as was securitization. It was noted, however, that for securitization to work, it would take a lot of road mapping given the complexities associated therewith, such as risk retention, disclosure requirements and ratings. One of the panelists pointed out that lenders will have to play a leadership role given the current climate, and that the drive shouldn't just be coming from the borrowers. This panelist flagged that there's a very lucrative opportunity for banks right now and it's important for them to charge ahead! I'm hoping we'll see a panel dedicated to "*Fund Finance 3.0*" this time next year!