

FUND FINANCE FRIDAY

Player Profile — Alistair Russell

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FFF: Tell us about how you ended up in fund finance and in the Cayman Islands. . .

I started my career in London in 2006. After seven years, initially with Cleary Gottlieb and then Skadden Arps, we decided to move to the Cayman Islands in 2013. As someone originally from the Caribbean, a move back to the region was always a possibility we had considered and, although I do try to dampen my praise when speaking to friends and former colleagues in the UK (particularly during the winter months), it is a wonderful place to be both personally and professionally.

My onshore practice always had a strong finance focus; primarily LBO work and corporate lending, although unsurprisingly that dropped off somewhat in 2008. My fund finance related work in London was, for the most part, sponsor side.

My fund finance work over the last six years in the Cayman Islands has instead been almost exclusively lender side, which I particularly enjoy. It has been truly impressive to see the product grow and innovate in the way it has over that period. The increase from fewer than 100 people at the FFA conference in New York a few years back to almost 700 people in Miami today (not to mention the events in London, Asia and beyond) is a testament to the success of the industry and in particular those at the FFA who have championed it.

FFF: What's new and different in fund finance in 2019?

From my perspective, the last few years in the industry have largely continued an evolutionary rather than a revolutionary trend.

From the lender's side of the table, we continue to see growing sophistication in fund documentation and a greater appreciation of some of the risks that lenders face. Thankfully, I think participants tend to understand that, for the most part, mitigating such risks is likely to improve efficiency, ability to lend, and overall terms, to the benefit of sponsors and credit providers alike; the continued refining of the product is rarely a zero-sum process.

We did initially see some anxiety arising out of Abraaj, but in my experience that has largely faded as participants have gained a better understanding of the specifics. Indeed, in my opinion there is genuine comfort that the industry can take from the way that the product worked "in the wild" and there are ways in which remaining concerns can be addressed.

With that said, these events have certainly focused minds; a welcome development from my perspective, particularly given the number of new entrants to the market. As a product that is predicated, in part, on being low risk for lenders, it is incumbent on advisors to ensure that pitfalls can be identified and, where possible, dealt with (particularly where, as above, there is no material cost to the parties to do so).

I admit of course that my lender-side bias may be showing here.

FFF: Carey Olsen has been doing interesting work on Blockchain technology. Do you see a future application for Blockchain in fund finance?

While I work with and have a working grasp of Blockchain, as a mere lawyer I am of course wary of making any detailed predictions about the future of the technology. I am reminded of the Richard Feynman quote: "if you think you understand quantum physics, you don't understand quantum physics." With that said, given its application to the recording, storage and transfer of data, I suspect it will invariably find its way into areas that touch upon the industry in some form in the medium to long term. In particular, Blockchain can improve access to – and verification of – information, increase confidence in the accuracy of such information, and reduce time frames and costs for dealing with and reviewing the same.

As such, from a fund finance perspective, some of the practical applications for the technology may include (i) tracking capital calls and contributions, (ii) verification of investor identity and commitments, (iii) improved certainty around the delivery of notices and information between relevant parties (including investors), (iv) onboarding and KYC for lenders, and (v) facilitating ongoing monitoring of covenants from credit parties.

I suspect however that there are many more ways in which Blockchain will have a role to play.

FFF: Maybe the better question is where you see the technology making the greatest advances in finance?

Beyond the uses mentioned above (which are likely to apply in one form or another to a wide variety of financing transactions), I think one of the first widespread uses we will see of the technology will be its application to help increase the ease and speed of the transfer of funds

(whether on a bilateral or multilateral basis). Similarly, it may also be something that can be deployed to aid in bank syndication processes.

As a lawyer, I am also interested to see whether Blockchain is adopted to assist with enforcement mechanics around financing transactions, particular in the case of security interests. The use of smart contracts with a self-executing element could in theory be used to help lenders effect a transfer of assets or funds in a more automated manner and could aid the "self-help" remedies that credit providers favour.

Lastly, almost every element of the financial sector has faced some increase in regulation over the past few years. Where these aspects involve the vetting of information, regulatory reporting, data sharing, or indeed data security, the hope would be that Blockchain will have a role to play in easing the already sizeable burden.

FFF: Who has had the most influence on your career?

I am incredibly grateful for the training and mentorship I received in the early years of my career, particular from some of the partners at Cleary Gottlieb. While it was a particularly demanding environment with the expected long hours and exacting demands, I would certainly be the poorer for not having had the experience. No doubt it is now somehow less painful than it should be for me to spend a Saturday evening reading through a credit agreement as a result. The fact that they also made a point of giving junior lawyers high levels of responsibility at an early stage has also, I think, benefited those that have gone through it. Perhaps more important however has been the lesson that the stresses and demands of the job can sit comfortably alongside humour and thoughtfulness.

FFF: What advice do you have for the young fund finance attorney just getting underway in the sector?

While anyone's career is subject to the usual doses of luck and the influence of various circumstances beyond one's control, on the whole, I think hard work and integrity will generally get you where you want to go. The fund finance industry is also a tremendously supportive one for those coming through the ranks, and one that genuinely values those who are collaborative and give consideration to what is beneficial for the sector as a whole. I would certainly advise those new to the industry to attempt to carry that tradition forward.

FFF: Any suggestions for the Fund Finance Association?

The work of the FFA to promote the industry has been incredibly successful, and the events have (barring the occasional snowstorm) always been fantastic. Moving the global conference to Miami has also of course proven to be a good decision. I think my only suggestion would be to continue the drift southward by a few hundred miles. A 2021 conference in Cayman has a certain appeal. Happy to pitch in for the rum.

FFF: What do you like to do outside of the office?

I know a lot of people answer questions like this by highlighting their passion for travel. Personally I tend to get enough of that with work! When family responsibilities allow, I really enjoy taking advantage of the water here in Cayman. We have some of the best diving in the

world, and getting out on the boat to fish or simply cruise around is one of the highlights of living here.

FFF: Any bold fund finance predictions for the rest of the year?

Not particularly bold. Putting aside any predictions about the macroeconomic climate (and the political landscape's impact on it), I expect the market to continue in a relatively similar vein as to the year to-date. Perhaps a growth in velvet Gucci slippers at the next FFA event?