

Snapshot: diversity's critical role in the fund finance sector

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The Fund Finance Association (FFA) Diversity Committee recently hosted its first-ever event in Luxembourg, drawing more than 100 attendees from the fund finance community.

Sponsored by Ogier, Arendt & Medernach and Clifford Chance, the event focused on the latest trends in fund finance and introduced the activities of the FFA Diversity Committee. A notable dialogue with IMS Luxembourg – Luxembourg's leading network for corporate responsibility - set the stage for a panel discussion with industry leaders Lionel Bodson (BIL), Nathan Mistry (RBS International) and Basile Gerber (Kartesia). The discussion was moderated by Laura Archange (Arendt & Medernach) and Ogier's fund finance expert in Luxembourg Jad Nader. Here are Jad's key takeaways from the event.

Diversity: a three-step journey towards inclusion

The event underscored diversity's critical role in the fund finance sector, advocating a three-step approach to attract, retain and promote diverse talent. Priscilia Talbot from IMS emphasized, "Diversity is a fact. Inclusion is a choice", highlighting the need for a tailored approach to inclusivity within organizations.

A McKinsey and Company report was cited, showing that companies with diverse teams are 36% more profitable. However, achieving this starts with training top managers on unconscious bias and measuring impact through anonymous and voluntary surveys to ensure all employees feel welcomed and valued at work.

Fund finance updates: navigating challenges and opportunities

The panel discussed significant updates in the fund finance market, noting the growth of

subscription line facilities to US\$750 billion and net asset value facilities (**NAV facilities**) expected to surge from US\$100 billion to US\$700 billion by 2030. Luxembourg's leading position in the EU was acknowledged, albeit with challenges related to liquidity compared to London.

A shift in the fund finance landscape was noted, with Luxembourg banks increasingly participating, highlighting the need for transparency with investors through Limited Partnership Agreements. The discussion also touched on the benefits and challenges of securitisation and EU regulations, such as Capital Requirements Regulation (**CRR**) and the Capital Requirement Directive (**CRD IV**), which could attract US banks to Luxembourg in the coming years.

Valuation, fundraising, and the ESG imperative

Panellists discussed the complexities of asset valuation and the growing importance of having veto or dispute rights for lenders. The demand for NAV facilities is rising, particularly for funds that have called all their commitments, with banks scrutinising past distributions.

Environmental, social, and governance (**ESG**) criteria have become increasingly important, though challenges remain in defining and measuring key performance indicators. The panel debated the implications of margin adjustments based on ESG performance, underscoring the need for clarity and consistency in ESG metrics.

Conclusion

The successful FFA inaugural diversity event in Luxembourg, with Ogier's prominent involvement, not only highlighted the dynamic nature of the fund finance industry but also the critical importance of fostering an inclusive environment. As the sector continues to evolve, Ogier remains committed to being industry leaders in embracing diversity and ESG principles, unlocking further growth and innovation.

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